

JPRS-WER-86-095

22 SEPTEMBER 1986

West Europe Report

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POLITICAL

CYPRUS

ELDER STATESMAN URGES TURKEY, TRNC TO REMAIN CALM

Istanbul HURRIYET in Turkish 14 Jul 86 p 11

[Commentary in first weekly column by former UN, NATO Permanent Representative, retired Ambassador Coskun Kirca, who was the vice-president of the Turkish delegation at Geneva to negotiate a cease-fire in 1974: "Ozal's Cyprus Visit and Its Consequences"]

[Text] The Turkish Prime Minister visited the TRNC [Turkish Republic of Northern Cyprus], and the Greek Cypriots once again staged the charade they have institutionalized for such occasions. These excesses are an expression of helplessness which we Turks must look upon with nothing but pity. Even getting aggravated by the Greek Cypriot clamor would mean giving them more importance than they deserve.

The president, the prime minister and the ministers of Turkey are of course entitled to visit TRNC. This is how it has been since the Turkish Armed Forces rescued the Turkish Cypriots 12 years ago and this is how it will stay. The ties between Turkey and TRNC are so close in every area that such mutual visits cannot be avoided.

Our foreign friends appear to be criticizing these visits in order to calm down the nervous breakdowns in South Nicosia and Athens. If we give in to these appeals and say "let the Prime Minister not go," then our Greek Cypriot neighbors would be emboldened and demand that "the ministers also not go." Greek Cypriot arrogance knows no bounds. For that reason, our best option is to shut our ears to such appeals. Our friends who are issuing these appeals already know this, and they will not persist. This is one of the acts of the play that is customarily staged on the surface.

Meanwhile, the UN also appears on the stage. As long as TRNC is not recognized by the majority of UN members, the UN will always make the same appeal. But the UN secretaries general are experienced people. When making such appeals they do not take what they are saying very seriously. However, this time it appears that the UN spokesman is confused in finding a formula. As has happened in similar instances in the past, his superiors will probably caution him as necessary.

The President of the Council of Europe Assembly has reportedly said that Mr Ozal should have asked for permission from Mr Kiprianou. That statement is a masterpiece of comedy which has prompted bursts of laughter even among his own colleagues. It would be sufficient to tell this to him politely.

Need for Promotion Campaign

All these do not change the facts. One of the facts is that the UN Secretary General's proposals were rejected by the Greek Cypriots and accepted by TRNC. The Greek Cypriot administration and Greece were never in such a difficult position in the entire history of the Cyprus problem. TRNC and Turkey must now exploit this situation through an intensive promotion campaign around the world, but particularly in the United States and Europe. However, we sadly see that our government is paying less attention to this issue than that the attention paid to some entertainment programs overseas.

One point to which TRNC and Turkey must pay attention is that we must not change our self-confident, calm, dignified and propeace posture. It is only thus that we can benefit from the Greek Cypriot and Greek leaders' refusal of Perez de Cuellar's proposals.

Our Style in Foreign Relations

It is precisely from this perspective that some of the Prime Minister's remarks in Nicosia were not proper. The world knows Turkey as a highly experienced and mature nation in foreign relations. One expects that foreigners learn lessons from Turkey on the choice of style in foreign relations and not vice versa.

It is obvious that since the end of 1963 the Greek Cypriots have not exhibited brilliant intelligence and wisdom. In order to say that there is no need to use terms like "foolish" or "stupid" which are not compatible with our traditional politeness. The Turkish language is rich enough to enable us to express the same idea with much more elegant phrases. When Turkey's prime minister speaks in public he is obliged to use a language that conforms with international standards of politeness and elegance.

Otherwise, foreign leaders will not extend their relations with him beyond official contacts. They will not admit him into their confidence. That would hurt both him and Turkey.

Closure of Border

One major development was the decision to establish a free trade zone in TRNC. In our opinion the decision is correct in principle. However, the nature and the scope of the free trade zone has not yet been adequately outlined. Consequently, for the moment it is difficult to express any in-depth opinion on the issue.

Another major event was TRNC's decision to close its borders in the face of Greek Cypriot excesses and the subsequent revocation of this measure 2 days later.

In our opinion, the decision to close the border should never have been made. That measure may impair our efforts to exploit the diplomatic impasse the Greek Cypriots have been pushed into. The reaction to this measure proves this hypothesis.

In addition, it is difficult to understand the meaning of this measure. The border was already closed to ordinary travel. The only exceptions were the Greek Cypriots of Karpas, the Maronites in both regions, UN officials and foreign diplomats. In individual cases, certain other exceptions were made on humanitarian grounds. Moreover, nobody demanded the full opening of the border. In any case, TRNC had unilaterally imposed regulations on these border crossings. It was always possible to introduce new regulations on this issue without closing the border.

After the decision to close the border was announced, TRNC declared that humanitarian considerations for the Greek Cypriots of Karpas and the Maronites were still valid. TRNC probably did not plan to confine the UN Peace Force soldiers to the Turkish Cypriot sector. Then why was it decided to close the border?

It might have been contemplated that by this move the UN could be forced to reach an accord with the TRNC in a way that imply the recognition of TRNC. It also appears that it was envisaged to force diplomats residing in the South to have their documents stamped by the TRNC while crossing into the North which would also imply recognition.

However, as long as the majority of the UN members do not recognize TRNC, the UN Secretary General will not be able to sign such an accord. Diplomats whose governments do not recognize TRNC would simply not cross into the Turkish Cypriot region. As a result, TRNC's existing diplomatic ties would be cut. And that would be a major setback for TRNC.

It is seen that the closure of the border was an erroneous decision that was made in haste. Even so, the reversal of the decision soon afterwards was a proper step.

However, inevitably the impression was created that the reversal decision was taken as a result of pressures from various quarters. That has not been at all beneficial.

In the future, TRNC may have to take radical measures with regard to issues such as the border and the UN Peace Force. However, let us not forget that if such measures are taken in response to a major blunder by the Greek Cypriots, then the world public may find them palatable. Otherwise, they would create a backlash. It is not unlikely that the Greek Cypriots will commit such a blunder in the UN General Assembly that will convene next year. We must be prepared for that.

Calmness Essential

For the moment, TRNC and Turkey must work to expose the intransigence of the Greek Cypriot and Greek leaders who have turned down Perez de Cuellar's proposals. In conjunction with that we must intensify our campaign among Islamic countries to gain recognition for TRNC.

If we manage to remain calm, the ultimate victory will belong to the Turks.

9588

CSO: 3554/145

POLITICAL

DENMARK

SOCIALIST PEOPLE'S PARTY GETS CHARTER 77 INVITED TO WPC MEETING

Meeting's Host Lannung Comments

Copenhagen BERLINGSKE TIDENDE in Danish 15 Aug 86 p 3

[Article by Nils Eric Boesgaard]

[Text] The Socialist People's Party asks Czechoslovakia to give Charter 77 people permission to participate in the peace conference in Copenhagen. At the conference, they will discuss both Afghanistan, Nicaragua, civilian utilization of nuclear power and 'relaxation from below.'

The Socialist People's Party has forced through the invitation of the Czechoslovakian civil rights movement Charter 77, despite many obstacles, to Hermod Lannung's Moscow-controlled peace conference in the Bella Center on 15-19 October.

"We have proposed to the (official) Czechoslovakian peace conference that it allow delegates of Charter 77 to participate," says the Rev. Hans Nebel, the Socialist People's Party member of the Danish preparatory committee. "But if it is not possible, we have offered to include them in the Danish delegation, provided the Czechoslovakian authorities will give them exit permits and guarantee that they will be allowed to return home afterwards."

The issue of the alternative peace groups in Eastern Europe is one of the most controversial issues in conjunction with the peace conference, which, so far, has been entirely dominated by the political left wing, the strongest representative of which is the Soviet front organization, the World Peace Council. The general impression has been that the organizers have wanted to avoid, at any cost, topics which might prove objectionable to the Kremlin, which is expected, in the last analysis, to finance the conference.

"It is clear that it has caused irritation, among other places, within the Soviet peace organization, that a political opposition party, such as the Socialist People's Party, has made demands of what over there is regarded as the program of an official conference. They are not used to that. Strangely enough, however, members of the Danish Communist Party have in several

instances been more persistent than the Russians themselves. It is as if the softer line of Gorbachev has not yet penetrated to this country," says Hans Nebel.

The Socialist People's Party has been promised a free debate with group discussions on Afghanistan and other regional conflicts, such as Nicaragua and South Africa, civilian use of nuclear power and, Hans Nebel adds: "What we in the peace movement call 'relaxation from below,' that is the way in which, for example, we in the Danish peace movement meet and discuss peace and peace issues."

The president of the conference, Hermod Lannung, a 91-year-old Radical Liberal politician, recently returned from the United States, where he sought to obtain the widest possible American political support for the conference as well as the approval of the United Nations.

"I was exceedingly successful," he tells BERLINGSKE TIDENDE, while discussing in detail all of the things which he did not manage to do. "Several hundred American delegates will participate, but, unfortunately, we probably cannot expect to see any members of Congress or other prominent politicians. There is an election 2 weeks after the conference, and the politicians are either themselves up for election or participate in the campaign to support their colleagues. As far as the United Nations is concerned, they showed great interest in the conference. Unfortunately, the secretary-general of the United Nations is ill, but two or more deputy secretary-generals have stated that they will participate in the conference. Unfortunately, we were unable to get any money. We had hoped for a share in the non-convertible funds. (That is to say, the quota funds of the United Nations which have to be used in the countries concerned, editors.) But one is not allowed to use them for travels."

Hermod Lannung did not get an opportunity to meet with Edward Kennedy, as he had hoped. "But we had a long and friendly talk with one of his closest associates." As already previously stated in BERLINGSKE TIDENDE, the outcome was that Kennedy does not have the time to go to Copenhagen.

It is as yet uncertain who will be the main speaker at the conference after both Kennedy and Prime Minister Rajiv Gandhi of India excused themselves. Lannung maintains that he has somebody in mind but declines to state whom. Among those who have been considered is Willy Brandt, chairman of the Social Democratic Party of the Federal Republic of Germany. However, VORWARTS, the organ of the Social Democratic Party, recently warned against participation in the conference in Copenhagen, so Willy Brandt is hardly a likely candidate.

U.S., UN Representation

Copenhagen BERLINGSKE TIDENDE in Danish 16 Aug p 2

[Text] In conjunction with the article "East Group Participating in Lannung Conference," in this paper on Friday, 15 August the president of the peace conference, Hermod Lannung, has asked us to report that American congressmen will participate in the conference in Copenhagen--though not as many as he had hoped. At the same time, he asks us to point out that the United Nations will be represented at the next preparatory meeting to be held in Vienna in early September.

7262

CSO: 3613/188

POLITICAL

FINLAND

PAPER ASSESSES PRESIDENTIAL RACE, 1987 PARLIAMENTARY ELECTION

Helsinki HUFVUDSTADSBLADET in Swedish 9 Jul 86 p 2

[Article by Jan-Magnus Jansson: "The Outlines Become Clearer"; first paragraph is introduction]

[Text] Thus far, as they approach the presidential election, the non-socialist parties' maneuvers have aimed at uniting supporters, proposing alternatives, and counteracting further strong political dominance by the Social Democrats, writes Jan-Magnus Jansson.

Included in your country's public hypocrisy was the complaint that discussion of the 1988 presidential election had broken out too early--whereupon the discussion continued. This is a feature of the debate which has now in all likelihood disappeared.

The final nomination of Paavo Vayrynen has naturally contributed greatly to this result. The Center Party is working hard so that its candidate, in his capacity as prime minister, will get the same sort of publicity which turned to Mauno Koivisto's benefit at the end of Kekkonen's presidential term, and even so as to "insure" the unofficial presidential candidate.

Another element in the picture is Prime Minister Sorsa's well known interview this past Thursday in which he clearly implies that the Center Party's nomination has induced new thinking among the Social Democrats and that the issue of Koivisto's candidacy will come up in some fashion at the party council meeting in November. A third main element is the coalition party's unofficial position regarding a presidential candidate of its own, who is reported to be Harri Holkeri.

When UUSI SUOMI, whose positions do not lack civic courage, says in its Sunday lead story (see "Discussion of the Day," 8 July) that all the main presidential candidates have now been nominated, it is not that far away from the truth. Another element is that the smaller parties' positions in a situation in which a majority is uncertain can acquire significance.

A question which naturally arises is just how important the presidential election really is by itself. No one can deny that the 1982 election was tremendously significant. This was due not just to the fact that Kekkonen,

by exploiting presidential authority almost to the breaking point, had surrounded the office with an unusual sense of drama. It was also, and primarily, due to the fact that for years the nation had pondered the question of what would happen "after Kekkonen" and whether continuity in foreign policy could be maintained after a change of president. Evidence that this could take place constitutes one of the considerable gains under Koivisto's term.

Another considerable benefit of the past few years is the negotiating power of the government and the prime minister's new role as the main cog in the political machinery. In all likelihood this ought to restore its central position to the parliamentary election. But this in turn presupposes that the result of the parliamentary election will influence the composition of the government.

Anyhow, experience shows that decisions about the shape of a government are sufficiently flexible to allow different interpretations of the president's statements. A politically ambitious president can once again try to put the president's power on center stage. The office of president will also remain important if the overdramatization of the position which does occasionally occur can be questioned.

Another circumstance which could be discussed is the way in which a future constitutional reform--if approved by Parliament after the election--can influence the outcome of the election. Our view is that any sort of change in the electoral system would favor a Koivisto candidacy, because attention would be focused on the question of whether any candidate would receive over 50 percent in the direct popular vote. Only Koivisto--possibly--can hope for this, and the election would then to a great extent revolve around him as an individual.

One of the illusions which still clings is that the parliamentary election and subsequent formation of a government can be removed from the influence of the election for president. It may be desirable for this to happen, but it is not possible. Both the initiative of Vayrynen's government and Sorsa's reaction in the interview show this very plainly.

On the issue of the parliamentary election, it may be observed that Vayrynen's nomination increases the Center's prestige and makes it profitable to mobilize voters as early as next year. Whether Koivisto is openly or covertly nominated in the fall, willingly or not he will nevertheless be there to drive the Social Democrat's electoral wagon.

The formation of a government cannot be isolated from the presidential election either. The reasons for letting the coalition party taste the delights of ruling after more than 20 years of being in the opposition are still strong today. In addition there is the fact that if Koivisto's direct support--in this election the Communists and a number of groups within the smaller parties can be counted on as well--does not suffice for a majority, then the coalition party will find itself in an unquestionably key position as it faces the election.

There is much to indicate that the competition for the coalition party when a government is formed is becoming intense. The same devotion to a purpose is required of the party as was demonstrated by the Social Democrats in the 1930's when at long last they broke out of the political blockade to which they had been subject. There is no doubting the fact, despite the chiaroscuro in which he has cloaked it, that the deal of the cards in Vayrynen's government basically hints at the coalition party.

As for Sorsa, in the interview he sidesteps the question about the Social Democratic Party and future cooperative government work with the coalition party. He says he has had enough of the whole business and does not consider it to be "particularly important" for the Social Democrats.

Instead he addresses cooperation on the left with the Communists with remarkably warm words. Including the left wing of the Communist Party, the "democratic alternative" receives a pat on the shoulder.

Why did the Communists emerge in this context, one might ask? In any event, a true coalition of the left is unthinkable because it will not receive a majority. Once again for the Center, the resumption today of the 1966 coalition--the "real" popular front--must seem less attractive to many.

Cooperation with the left may turn out to be a possibility in the opposition; Sorsa suggests, in possibly more than just a casual fashion, that it is by no means certain that the Social Democrats will once again be found in the government. But above all else, cooperation with the Communists is being called for if strong electoral support can in time be firmed up around Koivisto. Indeed, the left wing of the Communist Party has given signs that it takes a more positive attitude towards the present president than it did previously.

In its lead story UUSI SUOMI assumes that Koivisto, "at least the way things look now," will be elected. This assessment can hardly be termed sensational or unreasonable. To be sure, during his term as president Koivisto has not made any incursions into the politically conscious cores of the nonsocialist parties; today he may even emerge as a president more tied to the left than he appeared to be four years ago. Despite this, the number of "apolitical" voters, who under different circumstances would support nonsocialists, who support another term for him may be presumed to be large.

The nonsocialist alternative's chances naturally depend as well on the degree of credibility which Koivisto's competitors develop. An important question which has yet to be answered is whether the pack ice which has formed against Vayrynen in many nonsocialist circles can melt before the election. And even more important is the basic question of whether--in contrast to 1982--in the last analysis there now exists a real readiness for nonsocialist cooperation if the opportunity for same should ever arise.

So far, despite assurances, we get the impression that the nonsocialist parties are not aiming at victory as much as they are offering alternatives, uniting their own supporters and preventing further strong Social Democratic dominance in politics. Since democracy is largely a question of alternatives, this alone is cause for satisfaction.

POLITICAL

FINLAND

PAPER VIEWS SITUATION OF TWO COMMUNIST PARTIES WOOING CPSU

Helsinki HUFVUDSTADSBLADET in Swedish 7 Aug 86 p 2

[Editorial by Bjorn Mansson: "Our Two Communist Parties"; first paragraph is HUFVUDSTADSBLADET introduction]

[Text] Several questions are raised by Bjorn Mansson about the situation of two competing Communist Parties: the relationship between the two and the CPSU, their success in the parliamentary election and leftwing cooperation in the light of the presidential election.

The splitting of the Finnish Communist Party has lasted so long and gone through so many irreversible phases that the formal separation which was finally confirmed this summer really came as an anticlimax. Nobody--either within or outside the party--could any longer work up any genuine surprise over the event.

That does not mean, however, that this situation is lacking political importance or interest. Apart from all the ideologic and semantic explanations, Finland now has two competing communist parties, and the situation is reminiscent of the luxurious situation which has existed for a long time in several other West European countries. If one wishes, we can talk of a clarification of positions:

We now have partly a people's democratic alliance, with a so-called Taisto element "purified" FKP [Finnish Communist Party] under the leadership of Arvo Aalto--a group which could be called Euro-communist. The new chairman of DFFF [Finnish People's Democratic League] Esko Helle will have to summon all of his medical knowledge (he is of course a dentist by profession) in order to try to make the party whole following the painful but inevitable amputation.

On the other hand we have the Taisto Sinisalo element, an orthodox marxist-leninist party which in June listed itself in the party register under the name of the "Democratic Alternative," but which also responds to the name "The FKP Organizations' Committee" (compare the difference between DFFF and FKP).

A certain confusion arises when it comes to abbreviating the name of the new party. In Finnish, the abbreviation "DEVA" appears to be already established.

In Swedish it would be more natural to call it "DA", if that did not awaken unpleasant associations. Following the pattern of the previous Social Democrat Party split years ago it also could be called the Communist Opposition [a play on words meaning "Come Up"].

It is still too early to say what the consequences will be of the less-than-peaceful coexistence of two communist parties. Already in the short and medium future there have arisen several questions which have an internal and complicated relationship with one another.

One of them is the important and delicate question, for all communist parties including the Finnish, of their relations with the Soviet brother party, also called the mother party. During all phases of the party split the CPSU has maintained the principle of a united FKP, but at the same time it did not conceal its sympathy for the so-called minority line. After the minority left its positions in the party leadership, the CPSU froze down its relations with FKP to an absolute minimum.

Following the formal split the CPSU was forced to see the realities, and there are certain signs that contacts with the current FKP leadership are being warmed up, although the reasons for such moves are pragmatic. They cannot reasonably be expected totally to neglect the official FKP if their long term goal is a unified Finnish brother party.

On the other hand neither can the CPSU reasonably be expected to deal with the "democratic alternative" as a party, since it indicates that it does not want to be one. Officially, as at the CPSU congress last spring, Finnish communists were represented by the FKP, even though dissatisfaction with its leadership could be shown in different ways--as also happened in Moscow. During this summer, however, there has been a certain traditional "vacation exchange" with the FKP, and it was not by chance that the secretary general of the FKP with his "summer post card" to his United States colleague yesterday wanted to indicate that he was in Moscow.

It is reasonable to assume that the results of next spring's parliamentary elections will not be totally neglected when the CPSU draws up its guidelines for future contacts. Also in another respect the election is a fateful one for both communist groups. In the 1983 parliamentary election DFFF/FKP won 14 percent of the votes, and in the municipal elections the following year 13.2 percent. Since then the Gallup poll figures have pointed steadily down, which is natural against the background of the uncertainty that the party split caused among the voters, social development in general and especially continued changes in vocational structure.

In judging the size of the political "niche" which is available to the Communist Party and DFFF it is essential to consider the claims staked out by the Social Democrats [SDP] on the political field. Most interesting in that connection was Paavo Lipponen's complete execution of the SDP leftwing, the so-called "red dozen" of the parliamentary group, in a newspaper column the other day.

Lipponen called the group "superfluous" among other things, and said that it represents "concentrated stupidity." Such harsh words about his own party's leftwing did not result from one event, but must be the result of a conscious political evaluation--perhaps in the party leadership.

Should this be interpreted as a sign that SDP considers that it "can afford" to come to terms with its leftwing just now, when DFFF is so down that it cannot offer any alternative to homeless left socialists? Is that not risky, considering the union members that DFFF can be expected to utilize?

The fact is, of course, that the latest defection from DFFF to SDP, mainly that of Ilkka-Christian Bjorklund, who is on a "detour via Stockholm" is illogical in that someone who has been purged from the most dogmatic communistic DFFF could reasonably be the ideal of the left socialists. We do not yet know how the ordinary voters in the border areas between SDP and DFFF will react to the new situation. Despite everything it is probable that the heavy SDP machinery will run over the much lighter advance guard of DFFF like a steam roller.

The Gallup polls do not give any reliable indication of how the votes and the parliamentary seats are going to be divided "internally" between the two communist groups. The Gallup division of 8-10 percent for DFFF/FKP against only 2-3 percent for "DA" can very well be expected to be evened out in the election itself. As we know, the existing division of seats between the two parliamentary groups is 17 to 10.

The position of DFFF in the election is made more difficult by the fact that four of the MPs who were recently chosen as the only majority representatives for their districts will not be present: Kalevi Kivisto of Helsinki, who has already departed, plus Veikko Saarto of Nylands, Ulla-Leena Alppi of north Tavastehus County and Terho Pursiainen of Kymmene County election district. The vacancies will be difficult to fill.

Sinisalo's party obviously has its best chance for seats partly in his area of southern Finland and partly in the far north. The party will have a hard time winning more than a half dozen seats. DFFF/FKP can win double that many, but hardly more. Altogether the number of seats will be just under 20--a catastrophe for a far left which once, when unified, was Finland's largest party with 50 seats (1958).

Following the parliamentary election the next questions will be leftwing cooperation and the presidential election--again without internal unity. When the SDP chairman, Prime Minister Sorsa, recently said that his party desires to maintain relations with both communist groups (for the sake of the taistoists he spoke of "correct" relations) one can almost assume that he was looking sideways toward the presidential election. The question is, however, whether a common and unified front on the left behind the reelection of Mauno Koivisto, even including the Sinisalo party, would favor the candidate.

In any event, Finland now has two communist parties--and must begin to learn to live with that.

9287

CSO: 3650/297

POLITICAL

FINLAND

RURAL PARTY FINDING DIFFICULTY IN DEALING WITH VENNAMOS

Stockholm DAGENS NYHETER in Swedish 10 Aug 86 p 10

[Article by Stefan Lundberg, DAGENS NYHETER correspondent in Jyvaskyla, Finland: "Son Is Winner in Power Struggle"; first paragraph is DAGENS NYHETER introduction]

[Text] The champion of "the forgotten people," 73-year-old Veikko Vennamo and his son Pekka Vennamo, 43, are at the focus of political interest in Finland this weekend.

Pekka, chairman of the populist party of dissatisfaction, the Finnish Rural Party, has now issued his last challenge to his father Veikko, the founder of the party.

Party members and the mass media gathered here in Jyvaskyla to witness this public family conflict between the thoroughly populist elderly father and the moderate, modern son. The conflict was concluded on Saturday with a crashing victory for the son and simultaneously death for the old "Vennamoism" in Finland.

The father Veikko, who for the first time did not even appear before his people, gave in before the winds of change.

Pekka, who threatened to resign from his chairman's post in protest against his father's actions, was unanimously elected as the new party chairman.

The Finnish Rural Party is a unique political movement, even for Finland. Ever since its founding in 1959 the party has been dictatorially run by its founder, veteran propagandist and former agrarian Veikko Vennamo. In 1960 his son Pekka took over his father's position. But the generation shift from the charismatic old propagandist to his realistic political son was not painless.

Hates Kekkonen

The party, which alternately lives by hating Kekkonen, loving Koivisto, hating Swedish Finns, attacking economic criminals, and saying one thing but doing another, has been up and down across Finland's political landscape for almost

three decades. Traditionally the party has had its main support from the impoverished small farmers--a group which is today dying out.

Veikko Vennamo has sniffed the political winds with growing success. When the party last met in Jyväskylä 11 years ago it was believed that the time of the Vennamoists was past. The party succeeded in electing only two MP's. In 1979 this number rose to six, but suddenly in 1983 the party took full advantage of political dissatisfaction and won 17 of the 200 seats in the parliament. The yearling opposition party was even prepared to take two posts in the government.

The Vennamoists, who boasted that they would eliminate unemployment in six months, were given the post of minister of labor, ironically enough.

Soon they had to eat their lofty words, and today after having the Finnish Rural Party in the government for three years Finland is approaching its highest unemployment ever.

It has been too much for even the most devoted supporters among "the forgotten people." The party has slipped back to under five percent in the opinion polls.

Loud

Veikko, who remained as chairman of the parliamentary group while his son took the government post, continued his loud line which was often in direct opposition with the party's line in the government. The party chairman, Pekka Vennamo, who is wages minister in the government, found it more and more difficult to explain why his party in the parliament is opposed to questions which it advocated in the government. In the beginning it went well. The general impression was that there was an agreement between father and son. The son would be the responsible minister, while the father gained cheap political points.

But the decline continued. The son Pekka publicly complained that his father was only interested in issues which would impress the people. "He always wants to fight, which also means that we always lose," said Pekka.

Last summer Pekka lost his temper. He briefly announced that he would not run for the party chairmanship at the party congress this weekend. Veikko, offended, left his post as chairman of the parliamentary group which, on repeated occasions during the winter and spring had accomplished remarkable twists and turns in the parliament, and drawn an aura of ridicule over the party.

Scandal

The scandal was a fact. It turned out that father and son no longer spoke to each other.

The party, which derives its strength from society's lowest layer, is having a problem finding an alternative to the Vennamo family. Political talent is not an inexhaustible resource in the party.

It is clear that the conflict is not just between the father and son, but it concerns the very survival of the unique Vennamoist movement.

Pekka Vennamo appeared to stand firmly by his decision to resign, and the party found itself in a state of dissolution before the historic party congress.

Pekka Vennamo played hard to get, and brought his supporters to their knees. Yesterday almost 3,000 party members asked and actually begged Pekka to remain and lead the party to a new and brighter future.

At the same time Papa Vennamo sat at home in his summer cabin and watched his creation die, and his successor create a new political movement for the "new, forgotten people"--not small farmers and pensioners, but the unemployed, the misfits and the unsuccessful newly arrived city dwellers.

9287

CSO: 3650/297

POLITICAL

GREECE

CREATION OF 'HONOR' MINISTRY, GOVERNMENT RESHUFFLE RUMORS

Athens I KATHIMERINI in Greek 28 Aug 86 pp 1, 3

/Text/ Yesterday the government spokesman issued a statement in which he tried to maintain optimism for the benefit of Greek public opinion and also to make reassuring assertions for the benefit of ministers and deputy ministers. The reason for his making the statement were two published reports in yesterday's most "reliable" pro-government newspapers. One, in a morning newspaper, mentioned that the law on the ministerial council was going to be changed by a new law that is to be voted on by the plenum of the Chamber of Deputies in October. The other item, published in an afternoon newspaper, repeated this information and pointed out that the prime minister was angry over the fact that both ministers and deputy ministers were not producing.

Mr M. Papaioannou, the government spokesman, "denying" the published reports considered it proper to go to the other extreme by saying that the prime minister is altogether satisfied with the functioning of the government. He added that it is a mistake to link the idea of the creation of the new ministry (of "Honor" or the protection of citizens from highhanded acts of the state) with the prime minister's dissatisfaction with the performance of members of the government.

Mr Papaioannou also said that no law is needed for the creation of a new ministry since the existing law on the ministerial council grants authority to the prime minister to create, merge or split ministries through his own decision. (Note: it is to be noted that this also constituted the point of the most severe criticism exercised by the major government opposition party with regard to the law on the ministerial council last year during its debate in the Chamber of Deputies).

Regardless of the government spokesman's assurances both government and PASOK party officials consider it certain that right after the municipal elections or at any rate up to the first 10 days in November there will be a government reshuffle the scale of which will surpass by far the changes that the creation of this contested ministry would have entailed.

Since this new reshuffle is considered certain by the government and party organization it was deemed indispensable that yesterday's assurances be given out. It is evident, as noted by political observers, that Mr Papandreou does not want the idea of a reshuffle to be cultivated before the elections, especially, indeed, with the indication that the reason for its taking place is his dissatisfaction over the impasse in the government's functioning.

Something like that would have consolidated the conviction, before the elections, of the complete failure of the government as charged by the major government opposition party, a fact that would also have its representation in the results of the municipal elections in which Mr Papandreou has, of course, continued to be interested despite the apparent depoliticization of the elections that he is undertaking.

However, the assurances that the government spokesman made yesterday also have one very "special" person as its target: Minister to the Prime Minister A. Tsokhatzopoulos, also member of the PASOK Executive Office. Mr Tsokhatzopoulos, according to existing information, is particularly discouraged and uneasy these days over the plans for creating a new Ministry of "Honor," etc.

The creation of the new ministry has one certain consequence: a decrease in authority --and sphere of influence in government-- of the minister to the prime minister. Mr Tsokhatzopoulos, with this in mind, is not only discouraged but uneasy because he sees it as the beginning of restrictions on his jurisdictions and his role that inevitably increased following the political inaction shown since last year by Mr K. Laliotis who disagreed with the new government policy as well as the shackling of Mr G. Gennimatas.

In each case these calculations are the inside affair of the government party and what is important is how they will be projected toward the "outside." There is no doubt that an attempt will be undertaken in this regard and the new reshuffle will be presented, from an admission of failure that it in essence is, as a "new starting out point" for the PASOK government.

This criticism that has been repeatedly made by the major government opposition party was picked up yesterday during yesterday's meeting with political editors by Mr Stefanopoulos, president of Democratic Renewal. Commenting on the published reports he stated that the government, through its continuous reshuffles and reorganizations, has admitted to its failure not only in finding the suitable government format but also in finding new personnel to staff it. And in its new reshuffle it will make use of cadres who at some point in the past had been rejected as failures.

5671

CSO: 3521/244

POLITICAL

NETHERLANDS

DIFFERENT GROUPS IN LIBERAL PARTY VIEW FUTURE COURSE

Rotterdam NRC HANDELSBLAD (ZATERDAGS BIJVOEGSEL supplement) in Dutch 12 Jul 86
pp 1, 8

[Article by Hubert Smeets: "Discussion Concluded: The VVD in Search of a New Strategy"; first paragraph is source introduction]

[Text] The VVD is evaluating the necessary conclusions from its 21 May election defeat. The tarnished emblem must be polished. The discussion doesn't seem to be of much substance yet. And a public debate about 'image' isn't appreciated either. Is it possible that the last word was said with Drs Ed Nypels' defeat and the boisterous advance of 'team leader' Dr Rudolf de Korte? Games of liberal strategy.

Minister Smit-Kroes will be gnashing her teeth with regularity during the coming months. If it were up to her, she would simply want the VVD discussion closed. One must go on governing. The party doesn't need interventions from the northern provinces, provincial governors Wiegel and Vonhoff would do better to keep criticism of Nypels to themselves, as well as the sliding to the "right" of the party. This, to preserve unity. Unfortunately for Mrs Smit-Kroes, an exponent of "action not words" liberalism, the political tomahawk hasn't been buried yet. The political debate is just starting.

Designated vice-premier De Korte, "leader of the team," and his fraction-chairman Voorhoeve in their new function may have sworn that Nypels' departure could only be taken as a personal changing of the guard and not as a change of direction in party policy; nevertheless, many a party member is getting ready for an intensive discussion about VVD strategy.

Deputy Minister Bolkestein, for example, one of the critics who drove the first nail into Nypels' political coffin the day after the 21 May election defeat, diagnosed the tumultuous month of June thus: "Up till now there was no mention of any in-depth discussion, there was only personal backbiting. That had nothing to do with ideology. When this whole mess is behind us, we have to put things in order in an intelligent way as soon as the Cabinet is formed. When the smoke has lifted, the VVD has to redefine its own position."

Also ready is chamber member Hans Dykstal, former alderman of Wassenaar, who was not re-elected and is now walking the corridors hoping for a come-back to

a parliamentary position at the Binnenhof as soon as the Cabinet has been formed, saying: "We are now in a phase of self-scrutiny and self-criticism. We can't say: it is Nypels' fault, and replacing Ed Nypels will solve the problem one-two-three. It is not that simple. No, since the 70's we just have not had answers to developments. And when we don't know what to do, we just introduce our four principles: freedom, responsibility, tolerance and social justice. It makes me sick. Our ideas about development of parliamentary democracy, about modern industrial management, the relationship between capital, employment and management, still are those of the previous century."

Not Well Timed

The requested discussion about strategy will burst forth. But not yet in public. The VVD leaders do not want to exchange ideas with third parties, only with their own party members; thus talks about party strategy with third parties are either postponed or scrapped altogether. "It is not well timed," the saying goes. For the time being, they prefer the privacy of their own circle for the security of the 'confidentiality' of the subject under discussion. Debating politics in public hasn't come naturally to liberals since way back when; such public debate was always a pastime of left-wing and Protestant Dutch. "Hydrophobia," says Director Groenveld of the Telders Institute, the party's science bureau.

This fear of crossing swords has perhaps come from their lack of experience; the forced departure of Nypels is a genuine first in the 38-year-old existence of the party. The present crisis brings to memory the departure of Prof P.J. Oud, who was a legendary figure in his own time, and who had to step down as political leader after the disappointing provincial election in March 1962 (when the VVD lost an unexpectedly large number of voters), and who at the end of 1963 also had to step down as party chairman. At that time the VVD was still a small, elite club which received only ten percent of the voters, and which counted no more than 30,000 members. The time period of the sixties was not, as a matter of fact, favorable for the VVD. Now the VVD is a genuine party with 90,000 members, active sections, real congresses, long meetings, and it has the backing of almost 17 and 1/2 percent of the voters.

For a short period in 1980, a small-scale revolution was rising within the VVD against vice-premier Wiegel, no less, the very man who after Toxopeus and Geertsema had pushed the party upward into the broader international scene. In the spring, the opposition in his own party believed that dog-like fidelity to coalition partner CDA could go too far. Wiegel should not have left Finance Minister Andriessen go, a Minister who, like the liberals, wanted to enforce much more drastic austerity measures than his own party favored. But criticism was squelched. Two years later Wiegel had to find his own successor.

When this same Nypels gained 10 Second Chamber seats (23 percent) in 1982, the party was beside itself with joy. De Korte, then a mere Chamber member, knew the secret of the success of the liberals. The VVD had always maintained a "steady course" aimed at a coalition with Christian-Democrats that was, according to De Korte, the basic reason for the party's growth. That was the party's strength. What not to do in this respect was shown by the capricious West

German FDP. To govern in a coalition with the PvdA would only push the VVD into "a deadly socialist embrace," De Korte wrote in April 1983 in the journal CIVIS MUNDI.

Trust

Most important, according to De Korte, was the "picture of trust" which the VVD radiated. An image that was unblemished because "there had been no political squabbles or quarrels" observed in the VVD party because the VVD, in contrast with the CDA and PvdA, remained an 'example of unity and tranquility' which, according to the new 'leader,' was reflected in the generally accepted political leadership of Oud, Toxopeus, Geertsema, Wiegel and Nypels respectively."

Voorhoeve, his present right hand man and fraction leader of three days, came to the same conclusion at the time. Within the VVD "internal political processes take place fairly smoothly," Voorhoeve had concluded. But he did see the storm brewing. After the 1982 flush of victory he was a little less willing to be swept up by the euphoria of those days. "The limited political-philosophical base of the VVD party could turn out to have too little inspiration and idealism to attract new voters into making a longterm commitment to the VVD." Individuality could boomerang on the VVD, because the VVD is not first and foremost a party where one could go to find a coveted "secure nest."

Voorhoeve's remedy was for the VVD not to build "ideological castles in the air," but instead to stress the "practical idealism" with which the party could address the problems of the eighties in "a more effective manner" than the other parties. His party was not successful. Nypels has been blamed. Nypels should have harvested what Wiegel had sown in the seventies. Now Wiegel openly regrets having chosen this course, the more so after his come-back, which was prepared for him by his political classmates of fifteen years ago, was definitely cut off at the pass by the younger generation of prominent party members around Nypels who banded together with the new ambitious middle sector.

But even Provincial Governor of Friesland [Wiegel] could not have saved the VVD in 1986. The spirit of Wiegel's day has passed. In the seventies, VVD voters were still under pressure. The new party voters, especially the ones outside the triangle formed by the big cities of Amsterdam, Rotterdam and The Hague had just gained their independence from the church and denominational groupings, but were then weighed down by the burden of Den Uyl's social welfare state.

The tying of wages not to performance, but rather to solidarity, proved to be detrimental. The Netherlands had now become a country where you could no longer get rich by doing honest work. Wiegel voiced the feelings of the middle class as no one else could. His anti-socialist rhetoric touched the emotions of those voters who at first had liberated themselves from confessionalism, and now sought to liberate themselves from socialism. The political axiom of Wiegel and his intellectual alter ego lawyer H. van Riel was to always stay to the right of the CDA, the party which if worse came to worst would indulge in flirtations with the PvdA.

The VVD at that time behaved as an opposition party. The liberation of these new VVD members, who always got more excited about concrete ideological topics than about abstract ideas, has now been fulfilled. Socialism is in retreat, liberalism has become the common property of broad circles. The VVD has become the victim of this way of thinking; the party is the victim of its own ideological success. No longer will anti-socialist drumbeating attract voters, just as *farne Koekoek* is now a thing of the past.

Deputy Minister Bolkestein: "In fact we do now live in a liberal society. For fifty years, from 1930 to 1980, socialism was the dominant ideology in the Netherlands. It stood on its own, independent of political power, that is true. That philosophy has seen its days, it has run aground because of its own internal contradictions: after all, you can't build a social welfare state on an economic cemetery nor can you decentralize when in fact your frame of mind is geared to centralization. That development has led to the second breath of liberalism in the seventies.

"That was Wiegel's success. He voiced what many thought, but didn't dare say. He put into words the mood of the turning tide."

Ten years ago when Bolkestein came back from Paris--where he was director of Shell--his VVD was still in opposition against the ingrained PvdA ideology and other left-wing parties. "Politics has become duller. In 1976 there was talk of a struggle of ideas. Now everything is dead. It isn't interesting and exciting when the score is plus or minus one percent. Except for the CDA, everyone else is searching for their identity. We live in a liberated society. What is left are management problems, problems of proper leadership. That doesn't leave any room for in-depth ideological politics."

As far as ideas go, liberalism may be stronger than ever, socialism may have been replaced by liberalism, but the VVD's problem of identification has not become less critical. "The VVD is still the ideological party. But an ideology that has reached its goals loses its strength. There are no longer any classes, except for the foreign workers' class. There are only richer and poorer people."

Polarization

Ten years ago the choice which the PvdA and VVD thought they had to force the Christian Democratic parties to make, a choice to either support one end of the political spectrum or the other, has finally been made by the CDA. Both champions of polarisation--the VVD pro forma then turned against the CDA, using contradictory but appealing pleas for a 'national Cabinet' though deep down they knew better--and now they have to account for that strategy. The CDA, as a Dutch version of the West German CDU, has suddenly become the PvdA's as well as the VVD's vision of terror.

This new vision of terror has once again triggered a discussion about the VVD's position. For years the question of whether the party should position itself on the right or in the middle was only asked by the proverbial "last real liberals" in the VVD party, by those who once in a while mused about cooperation

with the PvdA in the Hotel Des Indes in the Hague. At present, more VVD-members will have to go.

Five days after the disastrous elections, the bad news hit. At a secret location, the Promenade Hotel in the Hague, the VVD-fraction met again; this was the first meeting after the 22 May meeting at which political leader Ed Nypels had been attacked in a way which compelled him to pass the leadership position to Maarten. What was the subject of discussion at the fraction meeting? The direction the party ought to take. Two strategy memos were on the table. One memo came from Deputy Minister Koning (who was also a member of the Cabinet between 1977 and 1981, at which time he served under Interior Minister Wiegel, and who now was a critic of Nypels); the other memo was from young Chamber member Frank de Grave. The first memo voiced support for carefully continuing the present course; the second one expressed a desire for something new. The fraction formed a commission of five members which, in addition to Koning and De Grave, included fraction members Hermans (member of the fraction leadership under Nypels); Wiebenga (the Netherlands' youngest mayor ever); and Mrs Terpstra.

The commission has come no further than the writing of "confidential memos." Two themes, however, loom up from the internal discussions, which are shrouded in silence.

The first concerns organisational consequences which the five-member commission is now deliberating. The period of Wiegel's and Nypel's monism, with or without glossing it over with the adjective "strategic" as was done by Nypels, must be closed, according to De Grave. The position of parliament with respect to the government must be strengthened again, the VVD fraction's fiscal expert concluded, and discussions between Cabinet members and parliamentarians must be re-established.

Frustrations

Nypels' faithful companion Hermans, who didn't succeed in setting himself up as the new fraction leader 2 weeks ago because both the departing leader and vice-chairman Evenhuis appeared to have changed their minds at the eleventh hour and chose Voorhoeve, voiced agreement. A deed which seemed prompted especially by the frustrations in the past 4 years over the relationship between parliamentarians and cabinet members (the two-income family tax law, the P.C. Hofot prize for literature, euthanasia). The new "VVD team leader," has already received from them the first warning shot across the bows. De Grave insists that it should be made plain to every new liberal cabinet minister that "cases" (such as the lightning-fast careers of Deputy Minister Van Aardenne, and Deputy Minister Koning's fiscal advice to Auro director Van der Linde) are odious.

Everyone in the VVD is agreeable to paying lip service to these kinds of good intentions. But when the topic changes to political direction, the discussion is not the least bit so cut and dried.

VVD members of Wiegel's intellectual school have lost some ground, as is witnessed by De Grave's undaunted plea for a "political reorientation toward the center." The liberals always showed themselves to be straightforward, in contrast to the wavering CDA. Now many a VVD chamber member wants to get rid of the role the party has played during the past four years, the role depicting the party as the steadfast socio-economic architect of the Lubbers Cabinet. Let the prime minister and his finance minister, Ruding, pull their chestnuts out of the fire in the coming years. The VVD must no longer let itself be portrayed as the "asocial figure on the bow" of government policy, De Grave said as he held forth to his party members.

Even if the discussion is about Dutch international policy, the VVD should not let itself be pushed into the corner of the "hawks." The outlook of the barely 31-year-old De Grave, at one time Nypels' confidant but now operating noticeably independently, must be a nightmare to party members like Bolkestein. Because according to Bolkestein, economic and defence policies are the very essentials of VVD politics.

The classical strategists who came forth 10 years ago have been forced somewhat on the defensive; that goes for the rash "angry young men" as well. Wiebenga, who wants once again "political style, meaning moderation and constitutional purity" written into the VVD banner: "In the VVD, two souls have always dwelled in one breast: the more conservative-oriented and the liberal-minded. Populism in the VVD is especially important to new members and voters; for example to liberals, that is VVD members in the southern part of the country. It is a dilemma in these times of television democracy, but it must be possible to find a balance. I start from the premise of a division in three parts. The PvdA has had 30 percent of the vote since World War II. CDA went down from 50 to 30 percent, and our potential is larger than the 20 percent which we now have. I am for the interchangeability of trends.

"The PvdA made that impossible because of its stand on cruise missiles. But when coalitions become interchangeable, that means that the VVD should not place itself on the right. The CDA is the Netherlands' conservative party. After all, that is how it is in Italy and West Germany."

The rather traditional liberal picture that Bolkestein and Groenvelt present is inspired by the British "verlichte" [enlightened] liberal heritage, which places emphasis not so much on the positive role the state can play, but rather on the importance which a modest state like ours gives to the protection of tangible and intangible liberties. Even if everyday politics does not always lead to the same formulation of statements."

"The VVD," says Bolkestein, "is the labor party of the nineties. The PvdA is the party of people who are dependent on government. The VVD is the party of people who want to achieve something. The bipolarity leaves the CDA consciously out of consideration now. If the CDA can keep that up, and Lubbers succeeds in making the CDA function the way the CDU functions in Germany, then the VVD will be out of the picture. I think, though, that he won't succeed because there is no need in the Netherlands for experimental politics."

Groenveld sees a separation looming up as well, but this one in accordance with the American model: two loosely organised parties, the one somewhat more conservative and the other somewhat more progressive, but both having wings that overlap. An attractive perspective, because Groenveld also doesn't want to get caught in the typical prisoner's dilemma of liberalism, the impossible choice between VVD as a party for the masses or as the "thinking part of the nation" as Oud saw it.

His office is now already at work looking at the consequences. This fall a commission will have to give an opinion on constitutional ideas, as they themselves call it, which have been aired meanwhile by scientific co-worker Kinneging. Parties have to change themselves from "organisations fighting social battles" to parties with an election platform. The prime minister should be directly chosen, the discipline in the Chamber fraction should be eased.

These ideas sound like the D66 party, but they are some of the thoughts which are now under scrutiny in the VVD. Groenveld hears this kind of talk more and more in the party: "The VVD has to strengthen the liberal elements now that the gap in politics is widening. Something is going on. If we slide down to a majority system as they have in Belgium, it will mean that parliament hardly has to be consulted any longer because, after all, the majority is reflected in the cabinet. There government policies are simply decided by the party chairmen."

It seems so abstract, but it isn't. It involves the party as an organism. At the end of November, party chairman Kamininga will step down, a man who has cared for his party during the past four years in an almost Belgian fashion. Will his successor take a step backwards on his own? If it is up to Hermans, he or she will have to rise above being the "umpire."

His fraction party member from Limburg, Van Rey thinks contrary to the Telders Institute--"that's where the scientists are, but we are the people who have to deal with everyday life"--that the party has become more "professional", and like the CDA and PvdA must be able to conquer its "market" if the party doesn't want to become as marginal as the FDP in the Federal Republic.

These are predictions which in any case make the liberal leadership's political profile still more complex. The struggle at the top is not yet over, anyhow. Nypels has been exchanged for two other party leaders, "leader" De Korte and fraction chairman Voorhoeve. It hasn't been definitely decided yet what their roles are going to be, nor is it known what their intellectual pretensions are going to be.

And to complete the seating arrangement in the musical chairs game for a place in the leading quartet, there is some doubt whether Senator Zoutendyk will return as fraction chairman after the First Chamber elections to be held next spring. His implicit support for Nypels during the past years was certainly not shared by all liberal senators.

There is still a lot brewing in the VVD mansion.

13092/7358

CSO: 3614/123

POLITICAL

NETHERLANDS

PARTY THEORETICIAN INTERVIEWED ON FUTURE OF VVD

Amsterdam DE TIJD in Dutch 25 Jul 86 pp 6-9

[Interview with Dr K. Groenveld, director of the Telder Foundation, the scientific office of the VVD, by Tom-Jan Meeus: "Then Preferably a Smaller VVD -- The Telder Foundation and 'The Problems'"; date and place not given]

[Text] Something is going to have to happen with the liberals, that is clear. But what precisely? Should the VVD [People's Party for Freedom and Democracy] become smaller? Can it take a divided stand? Should dualism be embraced once again? The outlines of a prisoner's dilemma. "It is naturally not the goal of a political party to become as big as possible. Power is not disgusting, but that should not mean that you push your principles aside."

Perhaps the Real Pieter Winsemius was Frits Bolkestein.

Since the oath taking of the administration last week, the fall of Winsemius has become an elaborate subject of public discussion. Now that, for once, the VVD finally had a "good" if not "excellent" minister, the party dropped him (or he caused his own fall). Whatever the case may be, it was a sad situation.

Bolkestein's fall took place much less conspicuously. The Secretariat of State for Foreign Trade, in which he was active during the previous administration, was easily given away by the VVD to the CDA [Christian Democratic Appeal], and other positions for which Bolkestein was available (defense, for example) went to other VVD members. Bolkestein's exit -- it was no more than a small issue in the government formation.

And yet one may wonder whether Bolkestein's "degradation" to member of parliament is not more interesting than Winsemius' fall to industry. On the analogy of acid rain, Winsemius would undoubtedly have turned the WIR [Investments Account Bill] into an issue, no doubt about that, but he did not mean all that much within the party. His power base was his ministry; he did not have much else.

Bolkestein on the other hand stood (and stands) for a tendency within the VVD. He opened the "discussion" which led to the end of the political leadership of Nijpels and, in addition, he plays a not insignificant role in the debate about the specific position the VVD will take.

It is said in the party that the party's "political-ideological base" must be strengthened. That is an interesting position, one where the confusion within the VVD is still far from having made room for a clear "campaign plan" for the coming years.

Major Problems

There is little doubt that something must happen with the liberals. It may be true that the second Lubbers administration has taken its oath of office, but the question now is where this will lead the VVD. Serious problems are looming, both in terms of content and electorally speaking. Electorally because the consistent choice of the CDA in favor of governing with the right threatens to place the VVD in an emergency situation without any prospects: not a single (new) position seems to be able to strengthen the party's base among the voters. In terms of content because governing with a much larger CDA leaves little distinction: the government agreement (no reduction of taxation, no equal treatment law as desired by the VVD, no similar euthanasia agreements, etcetera, etcetera) already proved that. And it seems that in the long term things can only get worse for the liberals.

What further now? An important role in the discussion is being played by the Professor B.M. Telder Foundation, the scientific office of the VVD: a committee -- including, among others, Bolkestein -- was recently set up which will look at a number of essential liberal questions for the second half of the eighties and later.

Since the departure of its former director, the current parliamentary party leader Professor J.J.C. Voorhoeve, in late 1982 the Telder Foundation has been led by Dr K. Groenveld. Groenveld is one of the few people in the party who openly wants to concern himself with the (future) VVD problems.

Groenveld does not belong to what has been referred to as the leftist liberal tendency in the VVD. He agrees with the line the VVD has chosen in recent years: to the right of the CDA, especially in matters of economic recovery and foreign policy. You will not hear any negative criticism about that from him. Although there are questions of course.

[Question] Isn't the fact that the VVD now has trouble determining its own position due primarily to the fact that the gains scored by the party in the seventies and early eighties were the result of the faulty political profile of the CDA and -- to a lesser extent -- the D'66 [Democrats '66]?

[Answer] The profile of the D'66 is still not clear to me, but that is as it may be. If you're talking about the CDA, then I think that it is right. At the time, the CDA was divided about the line to be chosen, and had a certain tendency to want to govern with the PvdA [Labor Party]. That brought a lot of grist to the VVD mill. For lack of a real conservative party in the Netherlands, a number of conservatives converted to the VVD. But that appears to have been very temporary -- look at the election results of last May.

[Question] Do you think that you lost all conservative voters then?

[Answer] Quite a few, yes.

And yet, the VVD campaign strategy right before the elections, when everybody still thought that there was a neck-to-neck race between the PvdA and the small leftist parties on the one side, and the CDA and VVD on the other, was aimed at binding as many CDA voters as possible to the VVD. "The CDA will govern anyhow. The question is with whom. Vote VVD," was one of the slogans with which the VVD tried at the last moment to cut back the loss. It did not work, but yet: would all the conservatives then have ended up with the CDA? "Not all of them," agreed Groenvelt, "but many of them."

Whatever the case may be: "I do think that it is a good thing in any case to start talking about the ideological strategy of the VVD. I also feel that this doesn't happen often enough within the VVD. VVD members are by nature doers rather than thinkers. Liberalism always has something apolitical in it. In the VVD there is also always less striving for a consensus within the party. Everyone has somewhat his own responsibility. That is also liberal. And this also leads to the attitude: we don't have to agree with one another, to organize congresses to produce a single party line. That is not the way we are put together in the VVD."

[Question] Doesn't it also relate to the fact that, however many debates are conducted, people will never agree on a number of issues anyhow?

[Answer] And socialists will discuss it to the end, right? In our party we accept more quickly and more readily that different ideas do exist. And that means that we are not faced with serious discussions every day within the VVD.

[Question] But now, in your opinion, there should be a serious discussion about the party's political profile?

[Answer] Yes. But I would add that it is not necessary for us to agree. However, we should just once determine what we are talking about, what we mean with the party.

Political Foundation

[Question] The most important problem for the VVD seems to be what Voorhoeve established some time ago: the VVD's political-philosophical base is too faulty. Do you agree with that?

[Answer] Let me put it this way. In recent years there has in any case been too little talk in our party about the political foundation. And I agree with Voorhoeve that that is a dangerous matter. Because if a political party wants to be viable in the longer term, then an ideological foundation is very necessary. If you don't have that, then you're in danger. You can see that very clearly, for example, in the fluctuations of the D'66 following, a party which says itself that it does not base itself on an ideology. The result then seems to be that people don't vote for your ideas but for people. That is also why Voorhoeve is right. You have to have a strong ideological base, and in any case have discussions about it.

[Question] Where should that debate approximately end up in your opinion?

[Answer] Well, I do have my positions. I don't feel that the VVD should deviate from the course of "less government and more market," is what I say to the more leftist liberals in the party. On the other hand, we should not end up in the neighborhood of the views of the New Right in the United States. That would mean putting the polarities next to one another in an extreme manner. Because who in the Netherlands really would like to follow the course of the New Right in the United States? Furthermore, Dutch voters have their own views of what is left and right.

On the Right

[Question] Isn't it true that the voters pay attention primarily to the economic policy and -- very simply -- the missile policy? It is based on that that they make a left-right division. You want the VVD to stay on the right side in both issues?

[Answer] Provided that it is a typically Dutch simplification of left-right thought. Because the question naturally is whether deployment of cruise missiles really means choosing a NATO stand on the right. But true, that is the way it is seen in Dutch relations.

[Question] You somewhat said goodbye to the conservative voters a while ago, but you keep hanging on to them if the VVD continues to profile itself on the right of those two key issues, don't you?

[Answer] You mean: then the CDA and the VVD will continue to fish in the same electoral pond? Yes, that is true. But then I say: so what? It is obviously not a goal for a political party to become as large as possible. Power is not disgusting, but that should not mean that you push your principles aside.

[Question] But for the VVD it does mean that you accept the fact that you'll be getting smaller still?

[Answer] Yes. Although that in turn does not mean that you can no longer exercise any power. And then you get to another very important point, particularly for a liberal party: are we going to choose a dualistic or a monistic position? In the latter case a small coalition party has little to say, little to profile, little power. A dualistic position gives you more opportunities to profile yourself.

Dualistic System

According to Groenvelde, that is the "third way" for the VVD. Without fundamentally changing course, the party could, via a more dualistic position, show a clearer face to the world.

That looks like an opportunistic argument. But it goes deeper.

Groenveld: "What liberals have always pointed to is the importance of the separation of powers, whereby both the executive and parliament have a veto right. That is a significant guarantee in order to provide hands and feet to the position of minorities in society. It is not a question of "all power to parliament," because I'm also opposed to that. It involves the implementation of a dualistic system.

[Question] In that regard, the VVD has acted in complete contradiction to your wishes during the government formation.

[Answer] Yes, that is true. Consequently, I am not happy about that either.

[Question] What are you going to do about it?

[Answer] Well... Fortunately, here and there you hear noises which indicate that even in the parliamentary party there are people who are starting to think in a dualistic direction.

[Question] They can do that within the parliamentary party, but does it come across strongly when only a few days ago they agreed with that thick and detailed government agreement?

[Answer] No, but you can argue about the significance of the government agreement. I refer to Lubbers. He has also said that a government agreement should not be understood as something in which no changes can ever be made. If an administration takes the liberty to make changes in the government agreement, then there will naturally also be greater freedom for the government fractions in parliament.

But true, I would have preferred it if the government agreement had been very global. It is actually a kind of prisoner's dilemma, isn't it. If others -- and there are always some to be found in Dutch politics -- are willing to settle matters in a government agreement then you have two possibilities. You go along with it or you don't. But if you choose the latter, then you run the danger of becoming relatively powerless. That is why the VVD has also taken to the downward slope. And it is possible to walk back up, but only if there is a political culture in which other parties are willing to do so too. I believe that it is in the interest of the PvdA to join those who say that one should think more in a dualistic direction.

Power Thinking

[Question] As long as the PvdA is in the opposition. As soon as it begins to rule you see the opposite.

[Answer] They are now discussing their strategy for the coming years. And I can imagine that there also they will reach the conclusion that in a power position you pay more attention to the position of the less powerful.

[Question] You really think so?

[Answer] I have serious doubts about it. But we should of course not just be pessimistic. After all, it is true that power thinking hasn't gotten the PvdA much further, isn't it?

[Question] Especially if you get a chance again after such a long time in the opposition, it would seem obvious to make a choice in favor of a government agreement as detailed as possible.

[Answer] That chance is, indeed, very great. And, well yes, that emphasizes the fact that the position the VVD will be able to take in the dualism-monism debate depends a great deal on what the others will do.

[Question] Furthermore, the VVD's growth is due in part to Wiegel's and later Nijpels' drumming on the division within the CDA, which was the result of the fact that a number of CDA members of parliament chose a certain degree of independence with regard to the administration.

[Answer] Yes, look, what I am in favor of is a certain degree of independence for individual members of parliament. But that does not affect the fact that you talk to them about that opinion. Hence, I felt that it was quite right for Wiegel to point out that there was some discord within the CDA.

[Question] But the ultimate consequence of allowing room for an independent stand by parliamentary members of government parties is that division is expressed openly. And that in turn means that you can press an electorally unattractive image upon your coalition partner.

[Answer] Yes, and I feel that in that situation the CDA should have said: so what if Mr Scholten's opinions are different from Mr Mateman's?

[Question] Nevertheless, it would seem that the result of that very unattractive position for the CDA at the time now means that the chance of the VVD parliamentary party taking a similar path is very small, isn't it?

[Answer] I don't know yet. When people begin to realize that the only way the VVD, which has become so much smaller, really can distinguish itself is through the parliamentary party taking an independent position, then I do believe that they will go in that direction anyway. I wouldn't be surprised if that were the result of the internal debate.

Fear of Cold Water

Groenvelde does not think that renovations must be made in constitutional law to strengthen the position of parliament — and thus that of the VVD. He argued that what is involved is a change in political culture. Including that of and within the VVD.

[Question] You said in the NRC that there is a certain fear of cold water about conducting an internal debate within the VVD. How will it come about? The political culture?

[Answer] That is of course also related to the fact that people say: let's keep everything calm now that we've gotten all those doings behind us. But then I'd say: the problems we had were not the result of disagreements about political strategy. That had nothing to do with it. Hence I don't see why we couldn't conduct a debate. The PvdA does that all the time, in fact. Did it lose at the elections then?

[Question] Isn't that rather an indication of the relativity of such debates?

[Answer] No, I would rather say that it is apparently possible to conduct such a debate without suffering any losses at the elections.

[Question] But whatever way the debate goes, isn't it true that if the VVD continues to make choices on key issues in favor of a profile on the right side of the spectrum, the party will have to accept its becoming smaller? Isn't that what is involved?

[Answer] I find it very dangerous if the electoral argument is predominant in outlining a political strategy. Does it happen all the time? Then it is wrong. I object to that.

[Question] Isn't it obvious that that will not change?

[Answer] I don't deny that members of parliament and all other politicians are led a great deal by electoral considerations. But I would point to the objections. And I would add: if necessary we'll just have to become somewhat smaller. Aside from that I can only hope that people will realize that I am not wrong.

[Question] You feel that becoming smaller is a more attractive alternative for your party than continuing on the current monistic path?

[Answer] Then I would rather have a smaller VVD, yes.

8463

CSO: 3614/126

POLITICAL

PORTUGAL

PS SEEN FACED WITH SCENARIOS FOR CAVACO SILVA FALL

Lisbon SEMANARIO in Portuguese 14 Aug 86 p 3

[Article by Luis Quintao]

[Text] Next Monday evening, 18 August, the National Secretariat of the Socialist Party [PS] will meet again.

One of the major topics deserving the attention of the PS leaders is that of the desirable scenario in case the government headed by Cavaco Silva falls, which they increasingly consider possible.

In such an eventuality, which is considered certain by the end of the spring of 1987, which scenario should the socialists prefer: a minority PS government with the parliamentary support of the PRD [Democratic Renewal Party]; a government of independents, sustained in Sao Bento by the PS and the PRD; or early legislative elections?

The time of decision could approach very quickly, and the PS must have some guidelines established for the decisive moment.

At this moment, and in relative order of inclinations, priority seems to be placed on early parliamentary elections, followed by a government of independents and, lastly, by a minority PS government.

Inevitable by End of Spring 1987

The first thing that concerns the socialist leadership is the time horizon for the choice they have to make.

In their opinion, the Cavaco Silva government cannot and will not be able to outlast the end of the legislative session of the Assembly of the Republic, which begins on 15 October 1986.

They even think it will not be able to reach August 1987, at which point it will be feasible to begin the process of constitutional revision, as 5 years will have elapsed by then since the 1982 revision.

If the PSD government does not go beyond June or July, its resignation may be more or less rapid.

It could fall as early as November or December, after the debate over the 1987 Budget.

It could also fall during the winter--between January and March--if an agreement with the PRD can be sustained that long, as soon as a major problem splits the PRD in Sao Bento or if the political and electoral slide of the PRD accelerates.

It could also perish in the spring--between April and the end of June--with the erosion from voting on essential laws, postponed meanwhile by parliament.

It could even go out of its own accord, if it happens that the Cavaco Silva-Eanes understanding is not having great success, in favor of early elections.

In any event, the time horizon considered most likely by the PS is as of the end of spring 1987. By then the government will have to be replaced.

The most hasty think it will be over during 1986. The most cautious prefer to speak about the Cavaco-Eanes pact, its weaknesses and the later fall of the government.

All expect to see a different political situation 1 year from now.

Third Scenario: Minority PS Government

In view of this prospect, three scenarios are put on the table.

The first of them is the least attractive: a PS government supported by the PRD in parliament and not opposed at the outset by the PCP.

Its few supporters invoke the advantages of ideological clarity, personal homogeneity and also unity in eventual preparation for future legislative elections, destined to strengthen the position of the PS.

It has, however, more disadvantages than advantages.

It exposes the PS to more political and parliamentary conditions. Even if places are given to the PRD in the state apparatus (or even one cabinet post or another), it may not be sufficiently attractive to the PRD. Vitor Constancio is going through the worst possible circumstances; it could liquidate, without appeal or recourse, the career of the PS leader. It offers Cavaco Silva, in the opposition but with the PSD in control of key areas of public administration, the possibility of a return in force, in such a case perhaps very close to an absolute majority.

Weighing the favorable and unfavorable arguments, the third scenario does not seem very inviting and it is meeting with the coldest reception at present in the PS.

Moreover, Vitor Constancio had been the first to solemnly affirm that the PS would not return to the government before the next legislative elections.

Second Scenario: Government of Independents

More attractive is the second scenario, which would consist of a government of independents in the PS-PRD area, supported by these parties and not opposed, at least in the beginning, by the PCP.

This formula could have the advantages of a minority government without its drawbacks. It would help prepare for parliamentary elections, without haste and replacing PSD members in key positions, without subjecting Vitor Constancio to an immediate test.

Moreover, it could be more easily accepted by the PRD, which does not want elections under any circumstances and which would have increased influence in it, both in the choice of the prime minister and that of other cabinet members as well.

According to well-informed sources, three possible names for prime minister, all easily acceptable to the PRD, have been chosen, although the socialist leaders would rather not say who they are.

The one big handicap of a scenario such as the one described is the so-called "Pintasilgo precedent," which is to say the recollection of the unsuccessful PS attempt in 1979 of wanting to prepare for parliamentary elections without being in the government and which led to the AD [Democratic Alliance] victory. At the time the PS had all the drawbacks and hardly any advantage of a government in which it participated. The same risk cannot be run again: either make corrections in the formula or work for early elections.

First Scenario: Early Elections

We have yet to mention the scenario that seems to have the most support in the thinking of the socialist leaders, although followed very closely by the scenario of a government by independents.

Early legislative elections can still be suitable for the current government and for the PSD, especially if they take place in the spring.

It has against it the lack of interest on the part of the PRD, which would do anything to avoid the risk of an abysmal descent in relation to the 1985 results.

But in its favor there are the decisive arguments of the pronounced rise of the PS in straw polls, the existence of a new leader with a different image, the appeal that he makes to the PRD electorate and the compliance with a promise made by Vitor Constancio himself months ago.

It is the scenario that can give the greatest advantage to the PS, although there are also some drawbacks inherent in it.

At this point in time, it apparently deserves the preference of the socialists, although only after a longer and more profound consideration.

The Weight of the Choice

During the months of August and September the choice of a scenario will have to be made, so that the parliamentary action of the PS does not drift with the tide during the discussions about the 1987 budget.

The PS will have to choose among the three scenarios that its leaders are now considering.

If the choice were made now, first place would likely go to early elections and second place to a government of independents. Far behind either of these would be the third scenario of a minority government.

However, there is nothing so important as to ponder this choice carefully, weighing the possible receptivities of the PRD.

It may be that the second scenario of today--government of independents without early elections--will be the obvious choice of the Democratic Renewal Party.

In that case, it would be necessary to rethink the solution, moving the first to the second scenario, and the latter to the former position. The heart of the PS wavers between elections and a government of independents. In one scenario or another, it is taken for granted that the Cavaco Silva government has begun its slow countdown.

Will it be socialist optimism or the inevitable succession of events imposed by the political reality of Portugal?

8834

CSO: 3542/145

POLITICAL

PORTUGAL

APPEAL FOR CONTINUED CAVACO SILVA LEADERSHIP

Lisbon SEMANARIO in Portuguese 23 Aug 86 p 6

[Article by Marcelo Rebelo de Sousa: "The Possible, The Good and the Best"]

[Excerpt] There are many in Portugal at this time who are betting on the fall of the present government.

On the other hand, there are just as many who are expecting miracles from it, miracles that not even the image of thaumaturge attributed to the prime minister would be able to carry out.

Between the former and the latter are those who, very realistically, do not believe in miracles (that certainly will not happen!) or in thaumaturges (something that even the person with the best charisma cannot be), but who also reject the resignation of Dr Cavaco Silva.

Many will say, and perhaps rightfully so, that it is not an ideal government, it commits errors, it uses too many "marketing" methods, it sometimes gives the impression of considering itself worthy of monopolizing knowledge, intelligence, Macchiavellism with a technocratic flavor. However, which other prime minister is at this time able to successfully replace Cavaco Silva? Which government vastly better than the present one is conceivable, without a parliamentary majority?

What is the use of desiring the fall of the present government without wanting that it be succeeded by another, presided over by the same prime minister, but enjoying improved electoral legitimacy and increased support and presenting a renewed membership? The goal should either be this parliamentary majority, this political strengthening, this increased solidity, or the viability of whatever exists, without illusions on what it can achieve, but with good will vis-a-vis its objectives. It is not only the good that is the enemy of the best. In the same way, the possible becomes good, when the latter is totally inviable.

For this reason, may Portugal continue to have Dr Cavaco Silva as prime minister for many years.

/7358

CSO: 3542/153

POLITICAL

PORTUGAL

DOUBTS EXPRESSED ON CAVACO SILVA'S TRUE COMMITMENT TO DEMOCRACY

Lisbon 0 JORNAL in Portuguese 29 Aug-4 Sep 86 p 6

[Article by Augusto Abelaira: "Fears on a Summer Night"]

[Excerpts] Let these words of Cavaco Silva be read, in a language without subtleties—as is his custom—that reflects some summary ideas: "Let us leave the others, the superseded politicians and analysts who have not yet perceived well the meaning of the October 6 elections, let us leave to them the fun of drawing political scenarios; let us allow them to become entwined in their own nervousness; let us permit them to console their own frustrations; let us give them the opportunity to lose their own credibility in the eyes of public opinion."

Surely a dictator would never say "let us allow them": a dictator simply does not allow. But, with the exception of the verb (and the action it signifies), everything else could be said by a dictator averse to discordant "scenarios," and who establishes a clear demarcation between "us" and the "others," those enjoying divine grace and those pre-destined to damnation. When the illuminated leader lets escape that "let us allow," he unconsciously becomes someone who is making a gracious concession when he "allows." And why should he not be generous, if the "others" are only losing their credibility in the eyes of public opinion (a homogeneous public opinion that is total and uniform, that possesses that much-wished-for unity always sought by those dealing with metaphysics)?

In his few words—and this is always the characteristic of his speeches, underlined by nervous movements of his eyebrows—Cavaco Silva reveals (or seems to reveal, since this is a simple interpretation) his deeper soul, his attitude vis-a-vis values that, culturally speaking, have been gained since at least the eighteenth century but continue to fascinate in the twentieth century some radically authoritarian minds. The Portuguese opposition—and I am using his own words—is behind Europe at least 10 years: but from the cultural point of view, how many centuries of backwardness does Cavaco Silva have? It can easily be admitted that the York graduate is up-to-date on the latest economic science theories, but does he culturally live in our times? In which century can his ideas about the value of criticism be situated?

Here, then, is the question: is Cavaco Silva a democrat by vocation and cultural upbringing, or a democrat because democracy is institutionalized? Would he be a democrat if the regime were different? Is he a democrat in order to be a democrat, or because the democratic institutions do not allow him to be anything else? I do not mean to accuse him of insincerity or dissimulation: in Rome, even if we do not think about it, we are Romans. But when Cavaco Silva says "let us leave the others," he is not really the one to permit, it is the institution that is doing it. The institution allows it, it is the one that offers it.

This is the problem: the times compel us to be democrats, even when we do not perceive it, but they do not necessarily and from the bottom of our souls make us democrats. To paraphrase Sartre, it could be said that we are condemned to be democrats. Even if we are not democrats by deep vocation and cultural upbringing.

I insist: it is not only certain concrete decisions made by Cavaco Silva that trouble me: my doubts (and I am not dramatizing the situation, I do not see in Cavaco Silva the ultimate incarnation of the devil) are different, and are to be found in the field of education: what influence could he exercise on the mentality of many Portuguese? With his authoritarian, sectarian, dogmatic spirit, assisted by a clever (perhaps sincere) demagogy, he could convince the Portuguese (or many Portuguese) of what he himself is convinced: that criticism addressed to his government is futile entertainment, a game for frustrated people. It is Cavaco Silva's invitation to abandon criticism, his invitation to abdicate responsibilities, the attempt to convince us that the person in power is the one who has the knowledge, that criticism, when it opposes him, has evil intentions, that trouble me.

Of course, Cavaco Silva also has the right to criticize his critics. And when he says "may God deliver us from a government of the opposition," he is expressing a legitimate opinion (his own, not necessarily shared by the "others").

What troubles me is the tone, the style, what this tone and style seem (I repeat, seem) to reveal. The fear that, translated into everyday reality, they may lead to a neutralization of the content of democracy even if the form stays intact, in an epoch in which, while we are condemned to be democrats, the authoritarian spirit will cleverly adapt itself to democracy.

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CSO: 3542/153

POLITICAL

SWEDEN

DRASTIC REDUCTION IN TRADE WITH SOUTH AFRICA REPORTED

Helsinki HUFVUDSTADSBLADET in Swedish 15 Jul 86 p 9

[Article by Lars-Ingmar Karlsson: "Trade With South Africa Declines"]

[Text] Sweden's trade with South Africa has drastically declined in the first four months of this year. This emerges from figures recently published by the Central Statistical Office, SCB.

The biggest decline is to be found in imports. During the January to April period, Sweden's imports amounted to a mere 50 million kronor as compared to 210 million last year. This is a 75 percent reduction.

There can be some variations between months from year to year, but this year's reduction is far from being an accidental occurrence. Last year Parliament decided to ban the importation of fruit and other foods. As a result, imports from South Africa declined from 44 million kronor last year to 0.4 million this year. Both sets of figures apply to the January to April period.

Time of Year Significant

In the category of "non-edible raw materials except fuel" which, among other things, covers certain ores, imports have declined from 25 million kronor to a mere 5 million between 1985 and 1986.

The decline is also noticeable in the "manufactured goods" category which includes, for example, different types of iron alloys. Last year imports were slightly more than 130 million kronor during the first four months. This year they hovered at a mere 35 million.

In the latter categories the drastic reductions may be explained by deliveries and payments having occurred at different times in the two years. But in a report from the Foreign Ministry it is stated that even during the last quarter of last year there was a big reduction in these categories.

The change in exports is not as drastic as the change in imports.

The reduction for the January to April period this year held at slightly more than 35 percent as compared with the same period last year.

Swedish exports to South Africa consist primarily of different types of machines, vehicles, paper and paper pulp, steel and chemical products.

Overall, Swedish exports are extremely small. Last year they were barely one billion kronor. This is only 0.4 percent of all Swedish exports.

12789/12948

CSO: 3650/271

ECONOMIC

CYPRUS

TRNC ECONOMIC MEASURES COMPARED TO IMF PACKAGE FOR TURKEY

Istanbul CUMHURIYET in Turkish 14 Jul 86 p 7

["From Ankara" column by Yalcin Dogan: "Our Latest Export: 'Turkish Miracle'"]

[Text] It is not always Turkey which issues "letters of intent." It is not always Turkey which issues "letters of intent," which constitute a promise to set the economy right and which contain the principles whereby this promise will be fulfilled. This time, another country sent Turkey a "letter of intent." For the first time ever, another country sent Turkey a "letter of intent" stating the principles whereby it will "reorganize its economy."

The sender of the letter was TRNC [Turkish Republic of Northern Cyprus]. The addressee was the Turkish Republic.

The announcement of the date of the bye-elections led to an intensification of domestic politics last week. As a result, some other issues escaped notice. One of the most important of these issues was undoubtedly the package of new economic measures proposed for TRNC. Other such issues are the manner in which the administration in Cyprus is considering these issues, the Turkish Cypriots' reaction to the measures and the Turkish businessmen's thoughts on the measures.

The "economic package" which has been contemplated for Turkish Cyprus for a long time is now being slowly unwrapped. What is interesting on this issue is the way the "package" is being handled by Prime Minister Turgut Ozal. Ozal wants to run economic relations between TRNC and Turkey in the same manner as relations between Turkey and the IMF are run. The TRNC Prime Minister must have noticed this stance judging from the letter he sent to Ankara before Ozal's trip to TRNC. One segment of the letter signed by TRNC Prime Minister Dervis Eroglu and addressed to Ozal reads as follows:

"Mr Prime Minister: You are aware of the need for radical reforms in TRNC and the decisions in principle taken by my government. The series of measures that need to be taken in the light of these decisions were discussed with Turkish representatives in Ankara between 19 and 23 June 1986.

"The program prepared by my government embodies various measures to be implemented in the 18-month period between 1 July 1986 and 31 December 1987 and incorporates many economic and social changes in TRNC. The main areas where the new policies will be implemented are:

- "1. Money, banks and credit;
- "2. Public finance;
- "3. System of investments and incentives;
- "4. State economic enterprises;
- "5. Nationalization and redistribution of land;
- "6. Reorganization of public services;
- "7. The social security system.

"The new policies that are planned for implementation in these areas as well as the changes to be introduced and the measures to be taken are enumerated in attachments to this letter.

"With regard to money, banks and credit, it was decided to bring interest rates on Turkish currency savings accounts and loans to the same level as those in Turkey, and a package of proposals was prepared with regard to the expansion of the circulation of convertible currencies such as pounds sterling, dollars and deutschemarks.

"The necessary arrangements to enable the free exchange of Turkish currency between TRNC and Turkey will be made after interest rates on Turkish currency accounts are equalized with those in Turkey.

"Steps will be taken to enable Turkish banks to offer credit to TRNC corporations.

"Regarding public financing, legislative arrangements will be made with regard to the corporations tax, and the tax rate will be reduced to below the effective tax rate in Turkey eliminating the foreigner differential charged to companies whose legal or business headquarters are in TRNC.

"Import duties will be reduced by an average of 30 percent.

"Public personnel wages and salaries will be reviewed within the framework of the work with regard to public financing and personnel reform, and wages will be made to provide incentives for work by establishing a new pay scale for public personnel.

"Of the measures mentioned above and enclosed in the attachments, the ones that can be implemented by the decision of the Council of Ministers will be put into effect during your visit, and those which require legislative action will be sent to the Assembly expeditiously."

Other parts of the letter explain how the measures enumerated will be implemented. When one looks carefully, the letter from TRNC Prime Minister Eroglu has the same characteristics and expressions as the well known "letters of intent to the IMF."

Later on in his letter, Prime Minister Eroglu requests financial aid from Turkey with the purpose of "minimizing the adverse effects of uncertainties that may emerge as a result of such sweeping changes" and states the amount of aid requested.

As the TRNC Prime Minister made this request, Turkish businessmen who went to TRNC with Ozal expressed interesting views.

For example, Sakip Sabanci says that he wants to see the measures implemented, but insists that "that would not be possible with coalitions" and that "it would be beneficial to have a government in TRNC which would institute a single pluralist authority." In other words, he does not like the coalition in TRNC and by stating that "a stable government must be formed" he is proposing an "authoritarian pluralism." Another businessman, Sarik Tara says that "an investment climate must be created for investments in TRNC." He adds: "The bureaucracy, the unions and the state must be reorganized in accordance with these conditions."

These "letters of intent," these proposals... What do they bring to your mind?

9588

CSO: 3554/145

ECONOMIC

FRANCE

EMPLOYEE STOCK OWNERSHIP FAVORED IN PRIVATIZATION PLANS

Paris LE NOUVEL ECONOMISTE in French 1 Aug 86 pp 20-21

[Article by Jean-Claude Hazera: "The Return of Worker Ownership"]

[Text] At the height of the events of May 1968 General de Gaulle announced a referendum on "worker ownership" in order to give the students and strikers the feeling that he had understood their aspirations. This had no effect and the referendum never took place. Almost 5 million workers now benefit from worker ownership, which was forced on firms with over 100 employees by the August 1967 law. However, it cannot really be said that this old Gaullist idea is really popular in France.

In the upcoming months, it will be given another chance. Not only does France have a prime minister who believes he is the successor of General de Gaulle, but the minister of finance is also an ardent defender of this concept. "I am the one who prepared the 1967 law for Georges Pompidou," Edouard Balladur said on July 5 to reassure an RPR member.

In addition, the privatization law, which the government just had the Assembly vote on after the president refused to sign the "ad hoc" law of 16 July, gave renewed vigor to an idea which has always been related to worker ownership: employee shareholding. To involve the workers in privatization and to get the staff of the firms in question on its side, the government is planning to reserve for workers 10 percent of the stock sold.

Like the "people's shareholders" (in other words, you and me), workers will also have up to 3 years to pay, as stated in the text of the law. But they will also be given a reduction of up to 20 percent on an amount not to exceed the annual ceiling of Social Security (113,760 francs as of 1 July). The Council of State set this limit so that the measure would not "primarily" benefit "the wealthiest staff members." The perquisite represented by the reduction will be tax-free. This same principle led the government to limit the distribution of free stocks (every other one) to half of the monthly ceiling; those who have kept their stocks for 1 year can benefit from this.

Will workers go for the bait? In Great Britain, except for one case where the workers took over the entire firm, workers control about 5 percent, in the best of cases, of the capital of firms sold by the states.

Expertise

In France two workers' committees have shown an interest--those at Havas and TFL. For the moment they are mostly looking for more information. Those elected to the TFL committee have asked their employer for an estimate of the company's worth because all sorts of figures--from 0 to 10 billion--have been heard.

The recent issuing of investment certificates by the future "privatizable" firms also gives an idea of workers' interest. From 30 to 50 percent of employees have bought certificates, which are often offered at a preferential price or with delayed payment plans. Despite this, the 10 percent reserved for BNP workers has not all been bought even though the stock was gobbled up.

The circumstances and the price are, of course, important. A large portion of the Paribas certificates, which have appreciated significantly on the market, were bought by staff. On the other hand, the Saint-Gobain certificates, issued when the stock market was less bullish, did not really sell and the staff bought only half of the 10 percent reserved for them. "For an operation like this to succeed we need time to inform people who are not all in the habit of owning stocks," explained Jacques Pillet, the treasurer of Saint-Gobain.

At Havas, Jean Rosee, the secretary of the workers' committee, believes that the firm's employees could in fact buy up to 10 percent of a capital which is worth 3 to 4 billion francs, as long as the sale is a gradual one. This brings up a question from the minister of finance about what should be done with that portion of the 10 percent not bought by the staff. Should the state hold it back and offer it to workers again? Put it on the market? The latter is what was planned at the end of 18 months for TFL, which, because of the current audiovisual law, will be privatized along slightly different lines than other firms.

Aside from the good deal they are getting, will employees who have bought stock have a say in things within their firms? One of the goals of APSA (Association for Employee Participation in Stockholding), which was just created, is to help them organize in order to be heard and to send representatives to the board meetings. In firms such as banks, where small amounts of capital are held by many people, 5 percent of the capital can represent a real amount of power.

For the time being the nationalized firms still have salaried administrators under the law on the democratization of the public sector. Those which

are sold will no longer be held to this obligation because they will no longer be in the public sector. The government is, however, in the process of working on a law which will allow any firm to opt for a system to elect workers to the board at the general meeting; this would be independent of any possible representation by employee shareholders. The CGC's interest in this shows that this text goes beyond the privatizable firms. Nicolas Coulon, president of APARS (Association for Shareholding Participation by Employees) has suggested removing certain obstacles if this happens; obstacles which bother certain firms bought as an LMBO or RES (purchase of the firm by its employees).

This document, which could seem insignificant, has raised a very political discussion all the way to the center of government; a glimpse of this was seen when the deputies discussed article 3 of the authorization law. On the one hand there are the proponents of "economic democracy" and on the other proponents of "responsible" employee shareholding. The works speak for themselves. Concretely, it is a question of finding out if the law will give the salaried administrator, who will have the same decision making power, the same responsibilities as the other administrators as regards the law on firms. For example, in the case where a board decided to continue operating when it should have filed for bankruptcy.

Similarly, the plan to merge the 1959 law on profit sharing with the 1967 law on worker ownership has raised more questions than was initially thought. Jean Arthuis, secretary of state for social affairs, has stated, for example, that he is in favor of firms no longer being obliged to block for 5 years the funds disbursed under worker ownership.

Even if it involves starting over, we might as well try giving real impetus to worker ownership. Firms have changed a lot in 20 years.

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CSO:3519/237

ECONOMIC

FRANCE

ELIMINATION OF INDUSTRIAL ASSISTANCE SEEN DIFFICULT TO ACHIEVE

Paris LE NOUVEL ECONOMISTE in French 1 Aug 86 pp 38-39

[Article by Francois Le Brun: "Subsidy Hunting"; first paragraph is introductory material]

[Text] The hunt for subsidy chasers is an eternal temptation which has not bypassed the new government. But it is not easy to wring the neck of public assistance.

Old habits are hard to change! What is bred in the bone of public assistance to industry will come out in the flesh. We cannot instantaneously become unaccustomed to 40 years of sprinkling the country with subsidies, even if there is a good reason to do so or if it would be better to file for bankruptcy. Wasn't it the very liberal minister of industry, Alain Madelin, who recently broke the European record for subsidies to ship-building? A 200,000 franc bonus for every Normed employee is 4 times what Robert Boulin, then minister of labor, offered the desperados in the iron and steel industry in 1979.

From time to time the subject comes up again: subsidies will have to stop. This is as likely as figuring out all the faucets that need to be turned off at one time in Brussels, Paris and the countryside. You literally have to set up shop on the Place de la Concorde in Paris to bypass a bonus, subsidy or remission of payments. Traditionally the Ile-de-France has always been excluded from the preferential treatment. What would it do with it? It has the best demographic rate among firms with a 58.9 percent ratio between start-ups and failures. No matter. The likely place for the first free trade zone, an idea dear to Madelin, is at Aulnay-sous-Bois in Seine-Saint-Denis.

At first it was thought that the Datar subsidies would wipe out the natural inequalities, but they only replaced the latter with disparities in treatment, which were themselves aggravated by local specialities concocted by the regional councils. This, however, has been a juicy source of subsidies since the 1982 decentralization law which initiated the economic emancipation of the regional assemblies. Limousin, Bretagne

and Champagne-Ardenne are the threesome known by subsidy hunters--the winning combination of assistance to firms. The councils devote 25, 22 and 19 percent, respectively, of their budgets to this.

Choice

To properly implement their assistance policies, the elected regional officials have a choice of several formulas: the pure and simple motivational subsidy (which is done in Auvergne and Bourgogne) and assistance to the council, as in Centre and Picardie. The tactic used by the Pays-de-Loire is assistance to the building and property administration. The shimmering mirror of high technology is the prerogative of Picardie, Haute-Normandie and Midi-Pyrenees.

Outside of the Ile-de-France there is hardly an acre which does not benefit from some help. With subsidies for property improvement and incentives, the decree of 6 May 1982 precisely defines the areas, canton by canton, where financial aid is granted to firms which create industrial or service sector jobs. Depending on whether or not the region is a priority one the subsidy varies from 17 to 25 percent of the investment and between 35,000 and 50,000 francs per job created. These figures are not as attractive when compared to the exemptions contained in 15 redeployment areas set up by the Mauroy government in 1984. Designed to accelerate the change in the environment in heavy industry areas--the North, the East, the triangle around Creusot, Montlucon and St. Etienne--these areas are subject to overlapping initiatives coming from several ministries. The leaders at the time generously financed their desire to see these regions return to happier times. With the early retirements and redeployment layoffs, the lack of budget constraints when they drew up these ideas brought forth some criticism. In fact, the final cost remains to be calculated. According to Datar's survey last June these areas have created 24,000 jobs, with total assistance for creating jobs at 3.5 billion francs between the FIM subsidy and the capital appropriations of public firms. This is a minimal portion of the 86 billion francs that the state will devote to helping firms this year.

Labor costs of firms vs. public assistance to industry--the debate already had the government of that time and the CNPF opposing each other. The outcome of the match has been forgotten but the desire to oppose the two ideas is still alive. This time the new leaders have asked Roger Martin, former CEO of Satin-Gobain, to talk about the subject. To save at least 2 billion in the 1987 budget they suggest closing CIRI (Interministerial Committee for Industrial Restructuring), the FIM (Industrialization and Modernization Fund) and other infirmaries for sick companies. Promoted to ministers, the politicians are charmed by the proposition. But when they return to their status as local officials they cannot forget that CIRI (formerly CIASI) is calling for saving about 100,000 jobs.

For the FIM, the EC meat chopper will spare them a lot of trouble. The procedure for distributing aid that was thought up by Laurent Fabius when he was minister of industry did not conform to EC rules. That was the end of this fund which provided the ministry on the rue de Grenelle with a certain amount of autonomy from the ministry of finance.

But for the other choices no one has said that the politicians will risk governing with a hatchet. In fact, when the Martin report recommended letting the sick industries fashion their own crutches, the government applauded warmly. But at the same time it is giving 250 million francs in aid to the Pinault firm to help it save Isoroy. Simply a "one-time boost" according to the technical advisors in the ministry of industry.

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CSO:3519/237

ECONOMIC

GREECE

PASOK SAID TO BE GETTING FRIENDLY TO PRIVATE SECTOR

Athens EMBISTEVTIKO GRAMMA 23 Jul 86 p 4

[Text] Government officials and PASOK functionaries are engaged in an effort to restore close relations with certain private businessmen. PASOK officials pointed out that under present conditions they consider indispensable for various reasons a rapprochement with certain private entrepreneurs.

First of all, they well realize that, because of reforms the government must introduce into certain economic institutions, it is necessary to find support in the private sector with which it cannot be in permanent confrontation.

"Because of the EEC," we are told by government officials, "we must apply certain liberal modernization to the Greek economy and this requires that we must find allies in the private sector."

Second, finding that certain of its export efforts do not go far with state companies and cooperatives, the government wants to establish a group of friendly private exporters and work with them at certain levels.

Third, to the extent that conditions for privatization of some public enterprises mature, the government wants to create a new class of businessmen who are loyal to PASOK and who could be used by it for other purposes as well.

Fourth, in the context of realignments taking place within the party and which will soon lead to a change in its political profile, PASOK needs to lean on certain private businessmen as visible proof of its intentions.

Thus, for some time now, on the initiative of George Papandreou, St. Panagopoulos, G. Katsifaras, And. Livanis, Th. Katsanevas and others, an effort has begun to restore good relations with the private sector. Already many businessmen do very well through their friendly ties with the government and enjoy many credit advantages and other benefits.

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CSO: 3521/219

ECONOMIC

GREECE

SITUATION IN AILING FIRMS REPORTEDLY BAD

Athens EMBISTEVTIKO GRAMMA in Greek 23 Jul 86 p 6

[Text] We are told that an orgy of irregularities, bad management, and illegal accounting reports are taking place in certain ailing firms where the motto is "whoever steals first does best."

According to our information, a spirit of plunder prevails, growing with every passing day, as rumors abound that the firms will close down. The result is that these firms operate in an unacceptable manner, while they become exceedingly dangerous to other similar companies. This is because certain ailing firms, trying to get some cash quickly, sell their products well below cost causing serious problems to other healthy firms in the same sector.

We have learned that A. Khrysis, the president of the Organization for the Rehabilitation of Firms [OAE] is very disturbed by these developments and has informally stated that unless something effective is done he will resign.

It should be noted that during the first half of 1986 the losses of the ailing firms exceeded 20 billion drachmas and the loans they received from the banking system reached 50 billion.

It is also noted that in certain ailing firms there are indications of partial or total disappearances of capital assets. In this light we draw attention to the report of the certified public accounts auditing the ailing firm Khropei A.E. which last year in order to show losses of only (!) 400 million drachmas resorted to various accounting "alchemistries".

More specifically, the firm illegally revised the value of its trademarks for some of its medical products and increased the item royalties by 626 million drachmas, thus showing an equal reduction of losses for 1985. In other words, the company increased its balance by 626 million of ...hot air! In this way it apparently received a bank loan of 600 million, shown in its financial statement as additional bank borrowing.

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CSO: 3521/219

ECONOMIC

GREECE

UNEMPLOYMENT STATISTICS SHOW RECORD RISE

Athens I VRADYNI in Greek 6 Aug 86 pp 1, 3

[Text] Unemployment in our country is verging on an explosive social situation, in that according to the official data of the Ministry of Labor the increase in the first 6 months of 1986 was a record, amounting to an unemployment increase of 33.4 percent compared to the corresponding period of last year.

These data were made public yesterday prior to the announcement of the anticipated mass firings from distressed and other businesses, evidently in order to avoid having to increase the figure for the already intolerable percentage of unemployment in our country.

According to the data of the appropriate ministry—which, as is known, are questioned as "too conservative" by both the Greek opposition and the appropriate services of the EEC—in the first 6 months of 1986 the number of unemployed people registered at the offices of the OAED [Labor Force Employment Organization] noted a record increase of 33.4 percent and amounted to 120,100 people, compared to 90,378 for the first 6 months of 1985.

A record (up 69.7 percent) was also seen in the number of unemployed being given compensation by the OAED, amounting to 59,916 people compared to 30,956 for the corresponding 6 months of 1985.

The result of this increase was to raise the official percentage of unemployment from 5.3 percent to 6.7 percent, while unofficially it has become greater than 10 percent.

This official admission of the increase in the number of unemployed people shows the disastrous situation the economy is in and the black clouds that are looming for the workers, since not included in these figures are the mass firings that are taking place by order of Vaso Papandreou, with of course the approval of the premier and the economic ministers.

As is known, during July industries began firing some workers, while other workers have been temporarily laid off and still others await their turn with anxiety, as many Athens hotels, restaurants, and cottage industries prepare to close their doors.

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CSO: 3521/222

ECONOMIC

GREECE

BRIEFS

TRADE IMBALANCE WITH HUNGARY--Our trade balance with Hungary is unfavorable. In 1985 total imports from Hungary reached 35 million dollars while exports of Greek goods to that country were valued at 15.5 million dollars. Trade Minister Katsifas discussed this trade imbalance problem during his visit to Hungary. It was pointed out that Hungary should increase its imports of Greek agricultural and industrial products in order to bring about broader trade conditions between the two countries. In the framework of discussions it was agreed to have the Elefsis Shipyards manufacture train cars for Hungary valued at 4 million dollars. [Athens I VRADYNI in Greek 8 Jul 86 p 15] 7520

CSO: 3521/219

ECONOMIC

PORTUGAL

DETAILS ON LOSSES OF PUBLIC ENTERPRISES

Lisbon SEMANARIO in Portuguese 14 Aug 86 p 15

[Article by Rui Teixeira Santos]

[Text] The 42 nonfinancial public enterprises [EP's] turned over to the State 1.7 million contos in profits in 1985, according to the annual report of the Inspectorate General of Finances [IGF]. The report indicates that these 42 public enterprises, which include the nation's largest companies, such as EDP [Portugal Electricity Company], TAP [Portuguese Airlines], the CTT [General Administration of Post Offices, Telegraphs and Telephones] and Petrogal [Petroleum Corporation of Portugal], have 1.2 billion contos in fixed assets and over 2.6 billion contos in total assets.

According to the chart of remuneration of capital investments by the State received as of 31 December 1985, the AGA turned over to the State 137,500 contos (the same amount as in the previous year), CIMPOR [Portugal Cement Company] returned 45,400 contos (also the same as in 1984), CTT paid 222,300 contos (same as previous year) return on capital, the Mint returned 39,900 contos, the PGP paid 10,800 contos, PORTUCEL [Paper and Cellulose Company of Portugal] gave 300,000 contos, Socarmar paid 60,500 contos (100 contos more than the previous year), Tabaqueira [Tobacco Manufacturing Company] was the record-holder in giving its sole stockholder 800,000 contos (as it did in 1984) and the TLP [Lisbon and Porto Telephone Companies] paid 14,500 in profits.

Capital and Reserves of 808 Million Contos

The IGF report also indicates that the capital of the nonfinancial public enterprises rose to 261.1 million contos last year (there was an increase of capital of 24 million contos over that of 1984) and reserves rose to 567 million contos (compared with 490.3 million contos in 1984).

Retained earnings in 1985 showed a negative figure of 374.8 million contos and net earnings were a negative 54.7 million contos. In view of these losses, there were no dividends paid.

Losses, Company by Company

Breaking down these aggregate figures gives a better picture of the catastrophe that is our public sector. According to the data furnished by IGF to the State

Aggregate Balance-Sheet Figures for Nonfinancial Public Enterprises (in contos)

Balance-Sheet Items	1982 (Company Figures)	1983 (Company Figures)	1984 (IGF Figures)	1985 (Company Figures) (Estimated)
Capital	118,567,685	134,923,333	235,839,997	261,109,700
Reserves	294,080,265	371,384,664	490,392,740	567,016,900
Retained Earnings	(55,332,952)	(94,275,858)	(275,052,034)	(374,873,800)
Net Earnings	(27,490,988)	(83,931,105)	(134,650,074)	(54,778,500)
Dividends Payable	-0-	-0-	-0-	-0-
Net Worth	329,824,010	328,101,034	316,530,629	398,474,300
Total: Net Worth plus Liabilities	1,467,067,099	1,986,629,138	2,484,134, 423	2,651,469,200

Source: IGF

Treasury Secretariat, the ANA (Airports and Air Shipping) enterprise had 966,000 contos of losses; ANOP [Portuguese News Agency] logged 320,200 contos of losses; Carris lost 5,600,000 contos; Centralcer lost 1,600,000; the Lezirias Company lost 332,000 contos; CNN [National Shipping Company] lost 7,400,000 contos; CNP [National Petrochemical Company] lost 97,400,000; CP [Portuguese Railroad Company] lost 24,500,000 contos; CTM [Portuguese Shipping Company] lost 13,700,000 contos; Docapesca had cumulative losses of 823,000 contos; Dragapor lost 678,000 contos; EDMA had 250,000 contos of losses; EDP had 640,000 contos of losses; EPAL [Public Water Enterprise of Lisbon] had 2,300,000 contos of losses through 1984; DIARIO POPULAR had 162,000 contos of losses; EPNC lost 1,700,000; EPPI lost 813,000 contos; Ferrominas lost 384,500 contos; Metro lost 4,300,000 contos; INDEP lost 2,600,000 between 1979 and 1985; Petrogal [Petroleum Company of Portugal] had retained earnings of 3,100,000 contos between 1979 and 1984, but last year lost 1,100,000 contos and this year has already lost 5,000,000 contos. PGP also had negative results last year, according to the IGF, but distributed 10,000 contos to the State at the end of the year. According to the IGF, losses rose to 581,000 contos in 1985.

Quimigal: Losses of 31.4 Million Contos

The drama continues in enterprises such as Quimigal [Chemical Company of Portugal]. Cumulative losses between 1979 and 1984 were 31,400,000 contos. In 1985 Quimigal had losses of 12,300,000 contos, according to IGF estimates, which show that Quimigal received 22,700,000 contos between 1983 and 1985, in capital infusions.

The Radio Company was not far behind, with 405,000 contos of cumulative losses, having received 740,000 contos of operating subsidies and 691,000 contos of capital infusions through 1985.

The National Highway System had cumulative net earnings of 5,100,000 contos through 1984, having received 3,100,000 contos in operating subsidies between 1983 and 1985 and 1,000,000 contos in additional capital.

RTP Received 876,000, Lost 1,900,000 Contos

The RTP [Portuguese Radio-Television System], which lost 666,000 contos in 1985, accumulated 1,900,000 contos of losses between 1979 and 1984, having received only 876,000 contos as capital infusions and operating subsidies between 1983 and 1985.

Setenave [Setubal Shipyards] and National Iron and Steel Company are two other serious problems: between the two of them, they lost a total of 18,800,000 contos last year alone. Between 1979 and 1985, Setenave had cumulative losses of 51,100,000 contos, while SN [National Iron and Steel] was losing 23,600,000 contos. Between 1983 and 1985, Setenave received 7,400,000 contos as operating subsidies, 6,600,000 contos in increased capital and a loan of 242,000 contos from the Treasury. Not having paid its electric bill from EDP, it is about to have its power cut off. National Iron and Steel, whose investment plan for this year has already been approved (plus another 16,000,000 contos), received 516,000 contos during the last 3 years as additional capital.

TAP: Losses of 22 Million Contos

The situation of TAP [Portuguese Airlines], meanwhile, is not brilliant. It has cumulative losses of 22,000,000 contos, despite having received 4,900,000 contos in operating subsidies during the last 3 years and seen its capital enriched by over 1,200,000 contos of fresh funds from the State. In addition to this, it has loans of 1,400,000 contos from the Treasury.

Pursuing this pilgrimage through the losses of the state enterprise sector, we note the situation of Transtejo. It had cumulative losses 319,000 contos between 1979 and 1984, but received 635,000 contos of subsidies and 425,000 contos of capital infusions during the last 3 years.

Total: 233.1 Million Contos

In summary, the 42 nonfinancial public enterprises (not including the banks and insurance companies, whose financial condition is much better known) had cumulative losses of 233.1 million contos between 1979 and 1985, despite having received, in the aggregate, 70.4 million contos in operating subsidies and 71.2 million contos in additional capital during the last 3 years alone.

EP Investments of 196 Million Contos

From the point of view of the stockholder--the State, in this case--of the 828 million contos invested (capital plus reserves of the nonfinancial EP's), the State received only 1.7 million contos, but all its companies, which administer 2.6 billion contos of total assets, had a total loss of 54.7 million contos in 1985 alone. The nonfinancial EP's have liabilities of 2.2 billion contos, which means their aggregate net worth comes to only 398,000 [as published; 398 million?] contos. If we stop to think that, besides these 42 public enterprises, the State through them transmits its ineptitude to over 700 companies in which they are partners or shareholders to the tune of 196 million contos, we get some idea of the dimensions of a public sector urgently in need of intervention.

What is to be done in this situation? Many answers have been given: eliminate the nonviable EP's, put the potentially healthy ones on a sound footing and sell them off to the private sector, as soon as the constitution permits.

In regard to eliminations, the government has already given the boot to the CTM and the CNN. Now comes the turn of the CNP and the Sines Area Authority.

Plans for Selling to Private Sector

In regard to reorganization and recovery, various possibilities are being studied, and only the plans of the National Iron and Steel Company have been approved. Lastly, putting aside the plan of Veiga Simao to transform all the EP's into enterprises of public capital, permitting private capital and workers to hold up to 49 percent of the equity, the Cavaco Silva government decided this summer to advance selectively, transforming five chosen firms into public-capital enterprises, without permitting ownership by private capital or the workers.

It is now August and most politicians and businessmen are away on vacation. Renegotiation of some foreign loans must await improvement of international conditions: it was the case of the EDP (\$280 million) and it will be the case of Petrogal (\$210 million). As for the rest, they will have to wait for September, or until next year....

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CSO: 3542/145

ECONOMIC

PORTUGAL

BRIEFS

NO INFLATION IN JULY--Inflation was nil in the month of July, the first time this has happened in Portugal for the last 12 years, according to the latest official statistics released yesterday. The latest data from the National Statistics Institute (INE) reveal that between June and July prices neither rose nor fell, so that the change in the consumer price index for the last month was "equal to zero." Prices had risen 0.3 percent in June and had fallen 0.5 percent in May. The greatest contribution to the unchanged outcome in July was made by the drop of 0.3 percent in prices of the "Food and Beverages" category, which is the one with the greatest weight in the structure of consumer prices. Prices rose during July in the categories of "Apparel and Footwear" (0.1 percent), "Housing Costs" (0.4 percent) and "Miscellaneous" (0.4 percent). Meanwhile, the annual inflation rate was 13.8 percent at the end of July, the lowest level of the year. During the same month last year, the annual rate was at 23.8 percent. The government hopes that the annual rate of inflation will be 12 percent by the end of this year. Between July 1985 and the same month of this year, prices rose 11.2 percent, the largest rise being in the category of "Apparel and Footwear" (22.9 percent).
[Text] [Lisbon DIARIO DE NOTICIAS in Portuguese 9 Aug 86 p 3] 8834

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ECONOMIC

TURKEY

NEW HOPE REPORTED FOR RENEWAL OF TRADE ACCORD WITH IRAQ

Istanbul DUNYA in Turkish 14 Jul 86 pp 1,9

[Report by Bilal Cetin]

[Text] Ankara—Efforts are under way to remove the bottleneck that emerged in trade relations with Iraq following that country's failure to pay its debts and its demand to have the payment term for its purchases increased from 1 year to 2 years. It was learned that Iraq has proposed to pay its debt in petroleum. Meanwhile, so far it has not been possible to sign a new 1-year trade agreement with Iraq because of the failure of negotiators to fully resolve the disagreements over payment terms. It was reported that the current trade agreement with Iraq will expire tomorrow.

Senior-level trade negotiations were cut following the failure of talks held with an Iraqi delegation headed by Iraqi Deputy Foreign Trade Minister Al-Hashimi, which came to Ankara 2 months ago to resolve disputes over foreign trade and payment terms. During these talks, Iraq insisted on an additional term of 10 to 12 months for the repayment of its debts and demanded that credit terms for future exports be extended to 2 years. When this demand was turned down, exports made to this country were virtually completely cut. Technical-level talks held to resolve the deadlock in trade relations between Turkey and Iraq have also failed to achieve any results so far.

Meanwhile, a new proposal has been made in economic relations with Iraq with only a very short time remaining before the expiration of the current trade agreement with that country. According to this proposal, Turkey would continue buying oil from Iraq in accordance with the contracts already signed. In addition, it would make additional purchases of crude oil worth \$1.5 billion this year in lieu of the debts owed by the Iraqi Central Bank to the Turkish Central Bank. Some of the crude oil thus purchased would be sold to third countries either as refined products or as crude oil on the international spot market.

Officials stated that a certain accord has been reached at the technical level with regard to the payment of Iraq's debts to the Turkish Central Bank in oil and that, however, Prime Minister Turgut Ozal will have the last word on this issue.

Stating that if progress is made on the issue of paying the debts owed to the Central Bank in oil trade relations with Iraq may be put back on track, the officials said that in that case a new trade agreement may be signed more easily.

Shrinkage in Exports

It was learned that exports to Iraq, which totaled \$1 billion in 1985, declined by 35 percent in the first 4 months of this year compared to the corresponding period of last year. The officials stated that even if a new trade agreement is signed it is unlikely that exports to Iraq will reach last year's level of \$1 billion and that, at best, they would reach \$500 to \$600 million.

Sale of Oil / broad Difficult

Meanwhile, it is charged that it would be extremely difficult for Turkey to earn \$1.5 billion in net foreign currency from the resale overseas of the \$1.5-billion worth additional crude oil to be bought from Iraq. It has been determined that in accordance with the "netback" system, Turkey is currently buying crude oil from Iraq at around \$11 a barrel. In view of the instability of the oil prices, which sometimes fall to below \$10 a barrel on the spot market, it is charged that Turkey will inevitably lose in this transaction.

Central Bank Pays 77 Percent of Export Credits

While no solution has been found to the problems of trade with Iraq, the Central Bank has reduced its cash payments to exporters to 77 percent for letters of credit from Iraq.

A memorandum sent to banks by the Central Bank states that exporters will be paid only 77 percent of the amount stated in letters of credit they receive from Iraq for letters issued after 15 May. The memorandum further states that a 3-percent excise tax will be cut on all exports to that country for the Support and Price Stability Fund and that the exporters will receive the remaining 20 percent of their accounts receivable after the Iraqi Central Bank pays the letter of credit amounts in full to the Turkish Central Bank. The memorandum states that these regulations, including the Support and Price Stability Fund tax, will apply to transit trade and reexport items. It adds that exporters will be paid in full for letters of credit arriving on or before 14 May 1986 and that, however, the new system of payment will be effective in such cases if the terms of the credit are subsequently changed--such as an increase in the amount or an extension of the payment term.

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ECONOMIC

TURKEY

GOVERNMENT HELP URGED TO END LOSS OF ZINC ORE TO BULGARIA

Istanbul DUNYA in Turkish 14 Jul 86 p 5

[Text] It has been disclosed that Bulgaria has been keeping part of the unprocessed [polymetallic] ore sent from Turkey as payment for refining and has been marketing it as Bulgarian zinc after processing it. Commenting on the issue, Mil-Ten Consulting and Excavation Limited Corporation Technical Director Azer Elmas said: "Bulgaria, which has depleted all of its zinc deposits, depends on the unrefined ore sent from Turkey to keep its refineries running. If flotation plants are built in the eastern Black Sea region not only would mineral ore not be given away to the Bulgarians, but also Turkey would be able to fully exploit its rich mineral reserves."

Stating that the polymetallic ore mined from the zinc, lead and copper beds in the eastern Black Sea region is sent to Bulgaria to be separated from useless minerals, Elmas, a senior mining engineer, said that Bulgaria keeps part of the ore from Turkey as payment for refining it and that it sells it at home and in foreign markets as Bulgarian zinc after processing it. Elmas called for government incentives to build flotation plants which will enable Turkey to fully exploit its rich mineral reserves.

Noting that Bulgaria, which has exhausted its zinc deposits, is highly dependent on unrefined ore from Turkey to keep its refineries running, Elmas said: "In the eastern Black Sea region there are rich zinc, lead and copper beds which are known by world geologists as the Pontide formation. The polymetallic ore mined from these beds, which extend from Fatsa to Artvin, are sent to Bulgaria to be separated from useless minerals because there are no adequate flotation plants in the region. In order to make the unrefined ore marketable, miners working in the region deliver their ore to middlemen who have agreements with Bulgaria. The Bulgarians keep some of this ore as payment for refining it and market it as Bulgarian zinc after processing it in smelting plants. Because of the requirement that the unrefined polymetallic ore sent to Bulgaria should have a mineral content of at least 30 percent in accordance with provisional export regulations, small licensed miners in the eastern Black Sea region do not have any interest in mining ores with mineral contents of 10 to 12 percent. In other words, only the cream of ore veins are taken, and the rest is buried in the dirt in an unretrievable manner. On the other hand, Bulgaria, which has exhausted all of its zinc reserves, can

process ores with only 1.5 percent mineral content thanks to its flotation plants and has maintained its share in the world market. When we recall that Turkey imports thousands of tons of zinc ingot each year, it is evident how much we are losing as a result of the fact that we do not have flotation plants. Licensed miners with limited capital in the eastern Black Sea region are unable to build flotation plants on their own and are therefore awaiting the government's assistance."

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ECONOMIC

TURKEY

CONVERTIBILITY OF LIRA URGED FOR STOCK MARKET DEVELOPMENT

Istanbul DUNYA in Turkish 14 Jul 86 p 4

[Report by Bayram Basaran]

[Text] Genborsa Director General Zeynep Kaptanoglu stated that the Turkish lira must be convertible to facilitate the development and internationalization of the stock market. Kaptanoglu added that the people must be educated about stocks.

Stating that the most important problems of the stock market are inadequate supply and that this is the result of the refusal of large profitable corporations to sell their shares to the public, Kaptanoglu said that the trading of the stock of multinational corporations on the Turkish stock market must be facilitated by making the Turkish currency convertible to other currencies.

Noting that in the event the Turkish lira is made convertible, Turkish savers will comfortably be able to trade in the shares of large corporations such as IBM, Unilever and Pirelli, Kaptanoglu said that this way international brokerage institutions would also be able to operate in the Turkish stock market.

Stating that if the trading of the common stock of multinational corporations in the Turkish stock market is facilitated, Turkish firms which are hesitant about offering their stock to the public would be encouraged to do so, Kaptanoglu said:

"If the common stock of multinational corporations is traded on the Turkish stock market, large family-owned firms in Turkey will have to offer their stock to the public in order to compete with these foreign companies. Today, one of the most important reasons large family-owned firms do not wish to offer their stock to the public is that they are afraid that the management may lose its effectiveness. The truth is that the management would not lose its effectiveness."

Kaptanoglu said that they have no plans to build stock portfolios until the Istanbul Securities Exchange begins operating in accordance with international standards and that if large brokerage institutions begin trying to build portfolios in the Istanbul Securities Exchange there would be artificial rises in prices.

Stating that the inadequate supply on the market must be remedied to invigorate the Istanbul Securities Exchange and to develop the Turkish stock market, Kaptanoglu said:

"It is true that there is an inadequacy of supply at present. However, demand cannot be considered high. First, demand must be created. The people must be educated on this issue. The Stock Market Council, the Presidency of the Istanbul Securities Exchange and the brokerage institutions must promote stocks to the people."

Noting that in developing countries with liberal economic policies, such as Turkey, savings are generally channeled into fixed-income investments, Kaptanoglu said that this trend recently gained further impetus with the growth in the sales of government debentures and treasury bonds. Stating that there is not much demand for company stock shares, which is the main instrument of investment in the stock market, Kaptanoglu said that common stock shares are the leading instruments of investment in developed countries. She continued:

"In developed or almost developed countries, common stock shares are the main trading instruments in stock markets. In Turkey, trading in stocks is considered a form of gambling, and as a result there is not much demand for common stock shares. This is because the annual yield on common stock shares is not known ahead of time. On the other hand, stocks can yield a much higher return than private or government debentures and treasury bonds."

Government Is Borrowing at Very High Rates

Stating that the government is competing unfairly with the private sector, Kaptanoglu said that the interest offered on government debentures and treasury bonds are too high. Noting that treasury bonds are costing the government 50 percent in interest and that these bonds yield a return of 49.7 percent on an annual basis over a 6-month term, Kaptanoglu said that the annualized yield on 6-month savings accounts in banks is around 40.5 percent. Insisting that government debentures and treasury bonds can be sold at interest rates that are 1 to 2 points less than what they are today, Kaptanoglu said that the most commonly sold securities in recent months are government debentures and treasury bonds because of their high yields.

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ECONOMIC

TURKEY

MONEY SUPPLY GROWS BY 17.5 PERCENT IN FIRST HALF OF YEAR

Istanbul DUNYA in Turkish 14 Jul 86 pp 1,9

[Text] Ankara—The broad-sense money supply (M2) expanded by 17.5 percent in the first half of this year and stood at 8,679.5 billion Turkish liras as of 20 June.

According to data provided by the Central Bank, the amount of currency in circulation, one component of the broad-sense money supply, grew faster than the money supply during the said period. Currency in circulation rose by 26.9 percent from 1,110.5 billion to 1,409.6 billion Turkish liras while money in demand deposit accounts rose by 15.8 percent from 6,276.9 billion Turkish liras on 27 December 1985 to 7,269.9 billion Turkish liras [on 20 June 1986].

Meanwhile, the reduction in the deposit supplementary reserve rates had a relative braking effect on the monetary base despite the rapid rise in the emission rate. The monetary base (that is the currency reserve) rose by only 10.5 percent from 2,775.3 billion Turkish liras at the end of 1985 to 3,066.8 billion Turkish liras [on 20 June 1986]. However, while the growth of the currency reserve slowed down the multiplying factor rose in parallel with the banks' increased ability to lend money. The multiplying factor rose from 2.66 at the end of 1985 to 2.83 on 20 June 1986. This figure is reportedly the highest level attained by this factor since the beginning of the implementation of the 24 January 1980 decisions.

Officials state that in order to reduce this multiplying factor and to restore stability on this issue in may be necessary to cut rediscount rates for banks considerably, to raise the disposable asset requirement or to increase the cash component of the disposable asset requirement.

Total deposits in banks grew by 20.5 percent from 7,327.2 billion Turkish liras on 27 December 1985 to 8,828.4 billion Turkish liras on 20 June 1986. Meanwhile, time deposits grew by only 16.2 percent and amounts invested in certificates of deposits rose by 21.9 percent during the same period.

Credit

The expansion of credit stock in the first half of 1986 was larger than the growth of both deposits and the emission rate. The amount of total

outstanding loans rose by 32.8 percent from 5,841.3 billion Turkish liras on 27 December 1985 to 7,758.1 billion Turkish liras on 20 June 1986. Direct loans--mostly to the Treasury--extended by the Central bank during the said 6-month period rose by 19.6 percent to 1,050.8 billion Turkish liras, while short-term cash advances made to the Treasury rose by 25.8 percent from 781.5 billion Turkish liras to 983.2 billion Turkish liras during the same period.

Loans extended by development and investment banks rose by 25.8 percent from 614.5 billion Turkish liras to 772.9 billion Turkish liras while loans extended by savings banks grew by 36.5 percent from 4,348.3 billion Turkish liras to 5,934.4 billion Turkish liras during the said period.

Changes in Principal Monetary Indicators (comparison for the period 27 December 1985 to 20 June 1986)

Indicator	12-27-1985 (billion liras)	6-20-1986 (billion liras)	Change (percent)
Emission rate	1,285.8	1,624.9	26.4
Currency reserve	2,775.3	3,066.8	10.5
Money supply M2	7,387.4	8,679.5	17.5
Currency in circulation	1,110.5	1,409.6	26.9
Money in demand			
deposit accounts	6,276.9	7,269.9	15.8
Multiplication factor	2.6618	2.8301	--
Total bank deposits	7,327.2	8,828.4	20.5
Credit stock	5,841.3	7,758.1	32.8
Central Bank			
(indirect loans)	878.5	1,050.8	19.6
Cash advances to			
Treasury	(781.5)	(983.2)	(25.8)
Savings banks	4,348.3	5,934.4	36.5
Development and investment banks	614.5	772.9	25.8

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ECONOMIC

TURKEY

STOCK MARKET HEAD OPPOSES MORGAN GUARANTY'S PROPOSALS

Istanbul DUNYA in Turkish 7 Jul 86 p 3

[Text] Ankara—The President of the Stock Market Council [SMC], Professor Ismail Turk, declared that he does not agree with the recommendation to reorganize the Turkish stock market in the "Master Plan" prepared by the Morgan Guaranty Bank in connection with the privatization of the State Economic Enterprises [SEEs]. Turk charged that the views expressed in the plan with regard to the reorganization of the Turkish stock market are incomplete and erroneous.

SMC President Ismail Turk expressed to DUNYA his views on the proposals with regard to the revision of stock market regulations within the framework of privatization. Professor Turk said: "On the surface there is nothing that may create a conflict. But asking for the reorganization of the Stock Market Law and SMC and submitting proposals to the government on this issue does not introduce anything essentially new to the system."

Normal Functioning

Stating that the stock market legislation, which has a history of 4 and 1/2 years, has succeeded in performing functions beyond what was expected, Professor Turk said: "The law which they say is creating bureaucracy is a framework legislation. Moreover, SMC is an institution created to solve problems caused by bureaucracy, not to create bureaucracy. Since its establishment 4 and 1/2 years ago, the council has played and is continuing to play a principal role in the formation and running of the Turkish stock market." Noting that one of the primary goals of the Stock Market Law is to protect the rights and interests of the small saver, Turk said that in the event malfunctions occur SMC is fully authorized to resolve them immediately.

SMC Not Consulted

Stating that the Morgan Guaranty Bank did not consult SMC during the preparation of its Master Plan for the privatization of SEEs and that his organization did not receive any requests on this issue, Turk said that the drafters of the Master Plan sufficed with consulting with brokerage institutions and that they submitted proposals with regard to legislation governing the stock market on the basis of these views. Turk added: "In

Turkey, unfortunately there is a belief that what the foreigner says is right. The truth is that to form an opinion on any issue it would be more reasonable to consult with organizations and individuals directly related to the issue."

Tax Law Must Be Changed

SMC President Turk insisted that rather than reorganizing the legislation governing the stock market--as proposed by the Master Plan on privatization--the tax laws must be amended. Turk said: "Regulations governing income, institutions and stamp taxes which have been creating problems in the implementation of Law No. 3239 must be reviewed and amended such that the stock market is made more effective." Citing the importance of brokerage firms in the development of the Turkish stock market, Turk said: "The brokerage firms must be developed. We want that."

Securities Must Be Marketed Through SMC

Noting that there is a direct connection between the privatization of SEEs and the stock market, Turk said: "If there will be privatization, then transferable securities which belong to SEEs will be marketed in the stock market. If the stock market is excluded from the privatization process then its effectiveness in this area will be reduced."

Confidence May Decline

Noting that frequent changes in a legislation which has been only recently established would reduce confidence in both the legislation and the stock market, Turk said: "The law whose amendment is being proposed is not like any other legislation. For that reason it must not be changed."

Turk added that he met with Deputy Prime Minister Kaya Erdem and Minister of State Vehbi Dincerler with regard to the stock market legislation and the SMC functions--which the Master Plan prepared by the Morgan Guaranty Bank of the United States proposes to change--and that he briefed them on these issues.

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PRICE INDEXES INDICATE INFLATION TARGET WILL BE EXCEEDED

Istanbul CUMHURIYET in Turkish 7 Jul 86 p 9

[Text] Ankara—The chances of attaining the 25-percent wholesale-level inflation target set by the government for 1986 are steadily decreasing.

In order to attain the government's 25-percent inflation target—which is computed by "comparing the SSI [State Statistics Institute] wholesale price index for the month of December for successive years"—monthly price increases must remain below 2 percent beginning in July. Similarly, monthly increases of more than 2 percent in consumer prices will mean that the 25-percent inflation target will be exceeded.

If prices do not rise at all beginning in July, then the inflation rate for 1986—which is based on the comparison of SSI's December wholesale price index for successive years—will be 13 percent. This figure will rise to 20 percent if [wholesale] prices rise 1 percent a month [beginning in July], 23.6 percent if prices rise by 1.5 percent a month and 27.3 percent if prices rise 2 percent a month.

If the same computation is performed for consumer prices, it is seen that the inflation rate for 1986 will be 11.4 percent if prices do not rise at all beginning in July, 18.3 percent if prices rise 1 percent a month, 21.8 percent if prices rise 1.5 percent a month and 25.5 percent if prices rise 2 percent a month.

The average inflation rate, which embodies the price movements for all months of the year, will be 26 percent at the wholesale level if prices remain steady for the rest of the year beginning in July. This figure will rise to 28.3 percent if [wholesale] prices rise 1 percent a month [beginning in July], 29.5 percent if prices rise by 1.5 percent a month and 30.7 percent if prices rise 2 percent a month.

At the consumer price level, the average inflation rate for 1986 will be 28.6 percent if prices do not change from their levels at the end of June. This figure will rise to 30.9 percent if [wholesale] prices rise 1 percent a month [beginning in July], 32.1 percent if prices rise by 1.5 percent a month and 33.3 percent if prices rise 2 percent a month.

ECONOMIC

TURKEY

ANNUAL INFLATION TARGET EXCEEDED IN 6 MONTHS

Istanbul CUMHURIYET in Turkish 7 Jul 86 p 9

[Text] Most products whose prices rose in the first 6 months of this year equaled or exceeded the government's annual inflation target of 25 percent in only half a year. Among the food and consumer products whose prices rose in the first 6 months of this year coffee held first place with an increase of 58.3 percent.

Speaking at a dinner given on the occasion of the General Assembly meeting of TUSIAD [Turkish Industrialists' and Businessmen's Association], Prime Minister Turgut Ozal "instructed" the industrialists not to raise their prices by more than 20 percent during the entire year. But the increase in the price of many basic goods and services in only the first 6 months of the year have already exceeded their annual "rations." The large price hikes underscore two points on the issue of inflation:

—The industrialist has no faith in the inflation target. Most industrialists and retailers have no faith in the 25-percent inflation target the Ozal government has set for 1986. The price hikes made on the basis of this disbelief are set such that they will far surpass the 25-percent target for the year.

—The inflation target has already been surpassed. The announcement last week of the price hikes in the first 6 months of the year and the major price hikes to go into effect in July indicates that it will be very difficult to attain this year's inflation target. The fact that the prices of many products rose by more than 25 percent in the first half of the year and price hikes on many raw and intermediary materials used by state-owned enterprises—which are expected to make their effects felt in the second half of the year—are considered indications that the final consumer products will be subject to even higher price hikes.

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CSO: 3554/148

MILITARY

FRANCE

DEFENSE MINISTER ON NEW BUDGET, ARMS PROJECTS

Paris DEFENSE & ARMEMENT HERACLES INTERNATIONAL in French Jul/Aug 86 pp 22-23

[Interview with French Defense Minister Andre Giraud by S. Ferrard and J. Isnard; date and place not given]

[Text] [Question] Mr Minister, can you restate for us the basic orientations of the government's defense policy, and indicate any differences from those of the previous government that may have become apparent?

[Answer] The preservation of military values and traditions; keeping pace with scientific and technological progress in the field of weapons development; and integration of the armed forces into the Nation: these are the three poles around which our defense policy is being developed. I have no reason to think that the previous government had different orientations, but I had occasion to say--before the National Assembly--that the arms projects it had initiated do, unfortunately, have one characteristic in common: they are very costly, but only from 1987 on. In regard to defense matters, the period 1981-86 has been characterized by an absence of choices and to some extent by an absence of a long-term--or even a short-term--perspective. Under these conditions an overall reexamination of our defense policy was essential.

[Question] Every policy must have its funding, and in this connection do you think you will be able to keep the promise made in the RPR/UDF platform, which calls for devoting 4 percent of the GDP to defense?

[Answer] In the name of ministerial solidarity, I prefer not to answer this question for the time being. The drafting of the budget is a responsibility of the government as a whole, and defense cannot be considered separately. The figure you quote constitutes an objective that is certainly justified by the extent of the time lags and delays observed in the implementation of the 1984-1988 Planning Act.

In the economic context of today, however, the solution to be prescribed involves, more even than is usual, the establishment of priorities in respect to weapons projects--together with a study of the structure and schedule of each project--as much as it involves the relative growth of the overall defense budget.

[Question] In that context, do you believe a reorganization of the French military-industrial complex is necessary?

[Answer] The new Military Planning Act that will be introduced in Parliament before the conclusion of the fall session should result in adaptation of the industrial resources in accordance with the objectives proposed. This could lead to certain adjustments that should be in accordance with the desire to develop our arms industry and to exploit those of its capabilities that have posted the best performance record not only--of course--on the technical plane but on the economic plane as well.

[Question] There is much comment on the reorganization of the General Delegation for Armament. Can you give us some details on this subject, and in particular on the revision of the status of the government arsenals, primarily from the legal standpoint?

[Answer] The reorganization of the General Delegation for Armament is intended basically to provide for better arbitration among three responsibilities that are not necessarily compatible:

To acquire and create the equipment that corresponds to the requirements of the French armed forces.

To safeguard the good health of the French arms industries.

To develop arms exports.

As for the status of the government arsenals, I have no a priori conceptions, and changing their status is not an end in itself. It is a question of studying the industrial situation of the arsenals and proposing solutions for concrete problems without reference to any ideological or doctrinal considerations.

[Question] You have stated on several occasions that you are not the minister of employment. In this connection, do you plan to cut the work force in the government installations (by 10 percent of 100,000 jobs, it is suggested) or on the other hand to increase their productivity, even to the extent of opening up their activities to the civilian sector?

[Answer] I believe that first of all the military industrial installations must satisfy the technical needs of the armed forces, and do so--of course--under the best economic conditions possible. These needs can evolve in terms of quality, quantity, and time limits, based on new strategic or tactical data. The arms industry must be able to keep up with this evolutionary process and also that of its foreign customers. The capacity to accommodate its customers, the quest for permanent progress in respect to productivity, and the growth of its volume of activity should constitute three objectives for our arms industry. The overall plan could not help but be improved by an increase in productivity.

[Question] Reforming structures involves reforming mentalities. In this connection, can we envisage more flexibility in the status of the weapons engineers or in that of the government workers?

[Answer] I do not know whether reforming structures involves reforming mentalities, but I am sure that one's mentality must enable one to acknowledge--at all levels of the hierarchy--the need for economy, adaptation, flexibility, and mobility. The arms industry is not free from the constraints of time, and wherever it fails to overcome them, it will be in danger of going out of existence.

[Question] The American SDI is a genuine technological challenge both for the Americans themselves and for the Europeans. How do you foresee that France--if not Europe itself--will be able to accept the challenge?

[Answer] Space is already--and will become even more so--a venture for all military strategists. With your permission I shall adopt the words the prime minister used in his general policy statement of last 9 April: "Technical progress gives rise to defense assets that make use of space.... It is our duty to remain attentive to this evolutionary process--to the technological time lag that can result therefrom; to see to it that the necessary adaptations are made; and not to miss any opportunity to strengthen European solidarity in this field. France cannot remain aloof from a movement that is irreversible, and French enterprises will be free to participate if they believe such participation is warranted."

[Question] What is your opinion of the current autonomous status of the Rapid Action Force [FAR]?

[Answer] The status of the FAR is, I believe, suited to the flexibility and efficiency that it was supposed to have regardless of the theater in which it would be obliged to operate. That being the case, its fundamental characteristic should be its mobility. Apparently not all the necessary equipment has been allocated to it: this is one more condition that must be satisfied, and it is an important one.

[Question] Should neutron weapons--which have been talked about for some years--be rapidly developed, and what--in your opinion--are their advantages within the French Concept of Defense?

[Answer] The so-called neutron weapon is in fact a weapon of a new concept that might be described as an "antipersonnel" weapon. It can be regarded as having been perfected and capable of being manufactured for operational purposes. The methods for making it operational must, however, be susceptible of integration into a strategic configuration, which we have under study.

[Question] Franco-German cooperation in respect to tanks is a long-standing dream that has always been frustrated. Today you have proclaimed yourself to be prepared to study the possibility of a German tank being sold to the French instead of a tank jointly produced. Does this amount to acknowledging a form of German superiority in this field despite the AMX Leclerc demonstrator?

[Answer] The cooperation between France and the Federal Republic of Germany should not be applied to types of equipment considered separately. It should be more comprehensive: it should be conceived and developed in the context of

equipment constructed jointly and of two-way trade in other equipment. I therefore intend to propose to the Germans that we participate in the construction of a tank that would become a Franco-German tank. I do not foresee the possibility of a German tank that would be sold to the French. One must also speak of helicopters, however!

[Question] In this connection, the idea of trading the Leopard MBB tank for the Aerospatiale HAP [National Industrial Aerospace Company HAP] has been a topic of conversation for weeks. When it comes to helicopters, the Germans are basically no longer prime contractors but purchasers. If the Germans have the means to make a future tank by themselves, do you believe that France has the means of ensuring, by itself, the continuance of the HAP project in the event of the failure of the cooperation that you envisage?

[Answer] I do not anticipate any failure in respect to Franco-German cooperation. I hope to broaden that cooperation and give it a more global dimension: to base it on the industrial realities and satisfy the interests of both parties rather than those of one or the other of the parties. The tank and helicopter projects should be reexamined, primarily with a view to satisfying the respective general staffs, but also should be reexamined in a broader context comprising other types of equipment: for example, equipment in the category of anti-aircraft weapons and armored equipment and vehicles of every kind.

[Question] The French Air Force has for many years been proclaiming its need for an early warning aircraft. This need has never been satisfied.

[Answer] I believe this is indeed a high priority item, and that appropriate measures should be taken so that the Air Force will have an airborne detection system as soon as possible. The AWACS could be the response best adapted to these needs provided certain conditions--which we are in the process of discussing--are fulfilled. I believe it would be preferable, however, to utilize aircraft that have already been developed rather than undertake a national effort, unless such a course is unable to satisfy these needs.

[Question] Do you believe that the SX and SNLE projects are financially and strategically necessary for France?

[Answer] Financially, absolutely not! I believe that even if the foreseeable situation is very satisfactory, it would be unreasonable to regard the undetectability of our missile-launching submarines as being part of a definitive dogma. Nuclear deterrence should not be tied to such a gamble. In matters pertaining to security--and therefore in particular to nuclear deterrence--redundancy must be established as a matter of principle. The technical characteristics of this second component--the methods and time limits for its implementation--remain to be determined. We shall not delay in making our decision.

[Question] France is today still the Number Three arms exporter in the world. Severe competition places this status in jeopardy every day. What measures do you plan to take that will enable the French arms industry to be more competitive and in particular enable it to better define its relationship vis-a-vis the requirements of the French armed forces and those of the export trade.

[Answer] France should not only maintain its present positions in the arms markets; it can improve them. In order to do so, it must maintain its technological effort; enhance the industrial character of its installations and arsenals; give priority to the manufacture of high-performance equipment; and develop international cooperation on industrial bases.

[Question] On the subject of the future aircraft carrier, you have stated that the plans for its construction are on track. Does this mean that the PAN 95 will in fact be built?

[Answer] The 130 million francs in appropriations authorized in the 1986 budget represents only about 2.6 thousandths of the cost of the overall project if you take into consideration the fact that two ships are needed to maintain an aircraft carrier permanently at sea and that these ships must have aircraft. One must figure on 2 x 10 billion francs. Such a venture necessitates--as in the case of all other major projects--a study that at least is done in depth. Having said this, I may say that I know better than anyone the importance of the aircraft carrier in crisis management. Even if I am favorably predisposed to the aircraft carrier, I do not want decisions to be taken before the necessary analyses are completed. The Planning Act that will be introduced in Parliament before the end of the fall session will provide the definitive answer to all the questions that must necessarily be left unanswered today.

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CSO: 3519/240

MILITARY

GREECE

USSR NEWSMAN ON MODERNIZATION OF U.S. INSTALLATIONS

Athens TA NEA in Greek 30 Jul 86 p 21

[Article by A. Bogomolov in the NEW TIMES Magazine, no date given]

[Text] The Greek government has rejected a request by the United States to modernize its bases which are intended for nuclear arms.

Greek spokesman Papaioannou said that Athens has taken this decision because Greece intends to completely get rid of nuclear weapons. In the fall of last year the then government spokesman K. Laliotis characterized as a "first step" toward this goal the removal--which began then--of the American nuclear reserves from Northern Greece. The second step will follow the first. But what then?

Before we answer the question we cite certain data which saw the light of publication--by mistake perhaps--and which are included in the proceedings of the Congressional (U.S.) Appropriations Subcommittee for Military Projects. They prove that in one of the American bases in Greece (there for 20 years now) bombers loaded with nuclear weapons are on a 24-hour alert. Is it necessary to point out what threat such nuclear loads constitute for Greece?

The day following the rejection of the request for modernization of the bases, Premier Papandreou once more sided with those who struggle for a steady reduction and, in the last analysis, for the complete elimination of nuclear weapons on our planet.

The socialists repeatedly have spoken about the firmness with which they face the Athens-Washington agreement for removing the Pentagon bases from Greece. But the U.S. aims to keep these bases in Greece in any way possible. They work out various schemes--a plan consolidating the bases, or limiting them, or partially removing them, or removing secondary installations...

The essence of the matter, however, remains the same, and this provides the possibility for one to speak about limiting the presence of these arms and about flexibility on the part of Washington.

To reinforce these plans the American officials and press are making it widely known that the bases will remain in Greece. Thus, the WALL STREET JOURNAL wrote: "According to reliable sources...a formula will be worked out which will allow the Americans to keep their bases."

Facts? They do not exist. But then, the Americans have sent a trial balloon in the form of "modernization". How, one wonders, will the Greeks answer and what will immediately take effect?

The balloon returned. The trick did not work.

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CSO: 3521/236

MILITARY

GREECE

FORMER OFFICIAL ON SITUATION IN DEFENSE INDUSTRY

Industry's Background

Athens I VRADYNI in Greek 2 Aug 86 p 11

[Interview with Deputy and former Deputy Minister of National Defense Al. Avramidis with Giorgos Trangas]

[Text] "All that Vikendios Arsenis did not want to say." This could be the title of the revealing interview Alexandros Avramidis, deputy and former deputy national defense minister, gave to VRADYNI. Between 1978 and 1981 Avramidis was in charge of matters pertaining to the Greek War Industry. It is generally agreed that he worked hard for its development.

Breaking his silence, at a time when the war industry is rocked by accusations, scandals, and displays evidence of poor performance and decay, Avramidis reveals what happened in the past and what is happening now, while underlining all those factors which in the past blocked its more effective organization and destroyed in the last 5 years all that had been achieved in the sector after 1974 and until the rise of PASOK to power.

It should be noted that at an innocent moment Avramidis was invited by Premier A. Papandreou to [his residence] Kastri to discuss with him views on the operation of our war industry which, no doubt, is a sensitive industrial branch for the support of our military forces, but which can also become an important source of foreign exchange.

Avramidis believes that both Andreas Papandreou and the Minister of National Defense Ioannis Kharalambopoulos desire not only the smooth operation of the war industry but also modernization and its growth. Unfortunately, Avramidis said, centralization, multi-headed management, red tape, and unbridled partisan control obstruct this political will and, in effect, disorient even the leadership of the present government.

Avramidis, like Vikendios Arsenis, notes that a horde of middlemen--who existed under ND but successfully held back--moves and exploits the war industry sector, negating many honest efforts to promote its sound operation. This is because in the war industry and in general in procurement for the Armed Forces, hundreds of millions of dollars are being handled.

The interview follows:

[Question] First of all, let us talk about the condition of the war industry when you took over.

[Answer] When I came in, in September 1978, the infrastructure had already been in place. The building of the Greek Weapons Industry [EBO] and the Greek Aerospace Industry [EAB] installations were underway. In 1974 nothing existed in the war industry sector.

Karamanlis was the one who understood the need to broaden the sources of international materiel procurement and the need to establish industrial units in our country for production of weapons. Of course, we could not produce high-technology weapons because we could not possibly compete with foreign industries engaged for over a century in the production of war materiel.

But we could produce conventional weapons; initially, portable weapons, ammunition; the repair and maintenance of advanced types of aircraft. In other words, in the initial states, we should meet these needs and in time, we should move on and develop our own technology to the highest possible level.

So efforts started in 1975 on instructions of Karamanlis to establish EBO which would operate on private-economy criteria. The entire mechanical equipment would be paid with funds from German military aid. The Germans gave us the know-how and the mechanical equipment. At the same time, we started building the EAB plant in Tanagra with American technology by Lockheed.

[Question] Is it true that Pyrkal [munitions industry] initially objected to the establishment of EBO?

[Answer] Pyrkal produced munitions, especially bullets for Army rifles. Of course, it also produced shells for conventional artillery, not of advanced technology. It objected to the establishment of EBO because it represented the Fabrique Nationale which produces the Belgian FN automatic guns. However, Belgium was not providing us with technology, nor were they giving us the possibility of manufacturing here portable weapons with the unrestricted right of marketing them abroad, as the Germans were doing. The Belgians were only giving us the right to assemble the weapons in Greece which, in effect, meant procurement from abroad.

Pyrkal advanced various arguments including the claim that automatic weapons of the German company were not suitable for the Greek Army. This was not true because these weapons proved to be excellent. Pyrkal did not have many arguments, but it exercised political and economic pressure.

[Question] Pyrkal, in addition to supplying the Greek Army, was active in exports. Its management claimed then that you blocked exports, thereby obstructing the inflow of foreign exchange.

[Answer] This took place when Rallis was in office, not Karamanlis. Exports were supposed to have a permitted destination, but the Central Intelligence Service [KYP] documented that the shipment was destined for Khomeini's Iran, a fact which was against our foreign policy.

[Question] Did EBO export its portable weapons?

[Answer] Yes. Exports were made when Vinkenidios Arsenis was development manager. If I remember correctly, he had been appointed in 1980 on the recommendation of the EBO board of directors and of its chairman, Andreas Droulias. I approved this appointment in my capacity as deputy minister.

[Question] Was it not taken into account that his family was associated with PASOK?

[Answer] We only took into account his formal and personal qualifications which were checked by the EBO board of directors. Arsenis developed exports to the Third World countries.

[Question] And free marketing of the three weapons?

[Answer] No. We carefully avoided the sale of portable weapons to Libya because we had information they were channeled to terrorist organizations.

[Question] Vinkenidios Arsenis spoke and accused a group of middlemen in the war industry. Is it true that these sales representatives cause problems?

[Answer] There are many representatives who have tremendous economic interests from the sales they promote. For this reason we always have them underfoot. They have information networks and because the procurement process is open they come to the National Defense Ministry [YETH.A] with various proposals and always try to persuade the military leadership that it is a waste of time to try to establish a local defense industry.

They emphasize to the military that domestic materiel will be less effective. We made a strong effort to counter their arguments. The military leadership was constantly briefed by the war industry section headed at that time by Air Force Lt. General Vagiakos. All the officers responded positively despite the fact that the representatives were exerting pressure and taking advantage of the needs we had for materiel we could not produce here.

In other words, you had to buy both the materiel you could produce here and the materiel you could not. In any event, their presentation was done in superlatives. To tell the truth, I consider this only natural when these interests represent millions of dollars. However, with Karamanlis and Averof at the forefront, we were determined to move forward in development of a domestic war industry. During the days of PASOK events took a wrong turn.

EAB, EBO, Steyr Situation

Athens I VRADYNI in Greek 4 Aug 86 p 10

[Text] [Part II of the Interview] The middlemen who move in the war industry sector tried (as revealed to I VRADYNI by Deputy and former Defense Minister Alex. Avramidis) to "influence" high-ranking officers of the Armed Forces, who in the last analysis make final recommendations for procurement of weapons systems. During the time of ND these efforts were successfully dealt with because of the stand taken by the political leadership, and also by all responsible officers of the Armed Forces.

Now, Vikendios Arsenis categorically claimed that these networks of middlemen continue to obstruct the development of our war industry. Avramidis spoke, too, of extensive networks of middlemen but he paid special attention to red tape, partisan interventions, and the "narrowmindedness" which prevailed, leading to decay and backwardness.

Speaking to I VRADYNI on the Greek Arms Industry [EBO] Avramidis emphasized the following:

--Our effort was successful because within a year from the opening of the unit, 90 percent of the added value was Greek and only 10 percent came from abroad and this because the metal for the gun barrels could not be made here and was imported.

Approval of the techno-economic study for the construction of Artemis 30 was signed by me.

Beyond that, by decision of the Defense Ministry, the Lavrion plant was incorporated into EBO for production and development of chemical raw materials used in munitions' manufacture, such as TNT. This plant would also engage in the loading of large shells. The aim was to transfer to Elefsina the Pyrkal loading section.

--In 1981 PASOK took over a successful Greek arms industry. During the same period Pyrkal began to shrink.

--All necessary contracts necessary to absorb all the Pyrkal activities had been signed.

--The shell-loading section of Elefsina was judged to be inadequate by the Ministry of Industry and its closing had been ordered because the area was inappropriate and also because its equipment was obsolete and threatened serious accidents.

It should be noted that although its operation has been prohibited since the summer of 1981, this plant continues to operate with uneconomic production costs, in competition with EBO. In other words, two state companies compete with each other, causing losses to each other.

[Question] What other agreements were made by EBO?

[Answer] In addition to the agreements with the Germans, there had been negotiations with the Belgians dealing with the procurement of the appropriate equipment for EBO to modernize the barrels of the self-propelled 155 mm guns by lengthening the barrel so that the length would be 42 times greater than the diameter, and with the simultaneous development of special technology missiles with the 15 kilometer range raised to 34 kilometers. Implementation of this program aimed in part to large international exports.

In brief this was the situation of the comprehensive main programs transferred to PASOK by ND's political leadership in the Ministry of National Defense and by the Munitions Ministry under Air Force Lt. General G. Vagiakakos.

I don't know what happened exactly to these programs under PASOK. However, I know that none of them was completed and set into production since the ND days. Yet, in the 1979-1981 period significant exports were made and many programs were set into operation.

[Question] The same phenomena of decay and malfunction appeared in the Greek Aerospace Industry [EAB]. What were the causes which also gradually led this industry to an economic impasse and virtual bankruptcy?

[Answer] Since 1981 the prevailing conditions of work have not assured the necessary specialization of technical personnel and the care required for inspection and repair of aircraft. This is because specialized personnel and the Training Center for technical personnel existing in the EAB at the time of ND was thrown out by fanatical PASOK officials immediately after the coming of PASOK to power. As a result, the training, guidance, and evaluation of low-level technical personnel by supervisors is, in my view, of questionable effectiveness. Because I don't have specific data on this subject I do not wish to say more.

[Question] Why does EAB show this deficit?

[Answer] The initial investment budget for EAB amounted to 95 million dollars, of which 35 million came from stockholders and the remaining 60 million came from borrowing. The ratio of borrowed to vested capital was absolutely sound because the ratio was 1 to 2.

By necessity the EAB production sectors expanded to cover almost all types of Air Force aircraft and thus, the investment eventually exceed 300 million dollars. But in this way the ratio between vested capital and borrowing was reversed so that vested capital represented approximately one-eleventh of the total.

To deal with these problems, the Rallis government decided to increase vested capital by 4 billion drachmas to be deposited by December 1981.

With PASOK's rise to power, instead of implementing the contribution of this capital, it moved forward and borrowed 2 billion drachmas for EAB from the domestic banking system. This worsened the EAB financial problems.

Moreover, while in my days as deputy minister of defense, we negotiated the Olympic Airways aircraft maintenance by EAB; the PASOK government, instead of continuing and completing these negotiations, went ahead with the expansion of the repair installations in the Ellinikon hangars. This resulted in an increase in Olympic's expenditures and deficits, which in the end are covered by the taxpayers.

[Question] What happened that Steyr was not developed?

[Answer] The decision to Hellenize Steyr resulted from the need to create an industrial infrastructure for the production of heavy duty vehicles and modernization and maintenance of the existing Armed Forces' vehicles.

Despite the slow drafting and implementation of the necessary programs, contracts were signed with the Austrians for the free transfer of know-how and the necessary technology to produce the following items at the Steyr plant in Sindos and the other satellite industrial units in Northern Greece:

--Engine parts, chasses, and other spare parts of trucks with 51 percent domestically added value.

--Vessels, spare parts, and sections of the Leonidas TOB armored personnel carriers with an initial domestically added value of 23 percent and a final d.a.v. of 45 percent.

--Change the Leonidas into a light tank with Steyr producing the turret and EBO the light gun.

--Installation by EBO of an anti-aircraft system on Leonidas.

For this reason I signed an order to deliver one Leonidas vehicle to EBO for necessary study and adjustment of the anti-aircraft system.

In the end none of these programs was developed or implemented.

So, while the PASOK government should have been able to complete and even improve these programs and move ahead with their implementation, it failed to do so.

In closing his interview to I VRADYNI, Avramidis emphasized the following:

--I believe Vice Premier and Minister of Defense I. Kharalambopoulos, known for his patriotism and fighting spirit, will be willing to live up to this challenge and complete the task initiated by ND. It's up to him because I am in a position to know that Premier Papandreou has repeatedly expressed his positive position on this subject.

7520

CSO: 3521/236

MILITARY

GREECE

ALLEGATIONS OF PYRKAL DIFFICULTIES SURFACE IN PRESS

No National Defense Issues in Press

Athens I KATHIMERINI in Greek 19 Aug 86 p 5

/Editorial: "Defense and Policy"/

/Text/ The ideal would be that matters relating to national defense would never appear in newspaper columns as subjects of disagreements but only as occasions for praise. Neither in the Chamber of Deputies should they be discussed for any reason other than as subjects of laudatory dialogue. It would also be good if the same held true for justice. Unfortunately, however, in our country the presence of matters dealing with justice is almost a constant in newspaper columns while those related to defense are becoming more and more prevalent. The phenomenon is doubly grievous if we were to compare the role of justice in the functioning of our society and the significance of defense in our existence as a nation.

Responsibility for this phenomenon, when it is observed, always lies with the governments in power since they are responsible for the matter in which both justice and defense function. When this functioning is irreproachable, as it should be, not even a most irresponsible government opposition will find margins to make noise.

What makes the situation in these cases even more complicated is that it is never possible for "everything" to be told. Sometimes the law itself or the feeling of responsibility sets up barriers. And these barriers become more numerous and stronger when the country is really facing foreign problems as is the case today with the provocative Turkish aggressiveness.

On Saturday, ND criticized very serious events in a statement issued over the sale by the government of weapons "from army unit warehouses" in its desperate attempt to make money," over "projective loans" between the GES /Army General Staff/ and PYRKAL /Munitions and Cartridge Company/, over projectiles that are being removed from army unit warehouses without their being replaced, over billions in debts to the GES by the "sinful PYRKAL," the "ailing state company that has been led to dissolution" and other similar issues. Such matters are, of course, not reversed through simplistic generalizations which in most instances constitute the government's response nor through what is repeatedly mentioned in all relative government answers as "unacceptable and odd characterizations against the government and its policy" and over the "complete irresponsibility and lack of seriousness" on the part of the government opposition.

The government must face up to serious problems with similar seriousness, putting aside insulting pyrotechnical displays for other occasions and purposes.

Besides, it must not have forgotten that just a few days ago unusually interesting data were brought up in the Chamber of Deputies about which it must not feel particularly happy. The data in question related to the GES 1985 budget, to all that the GES requested for modernizing the army, to the 5-year GES plan and its approval, to the amounts provided for that have been granted until now ("not even a nickel"), to the amount of this year's regular budget for the GES and other similar issues. The government must not have forgotten all of these things since not even a month has elapsed since the day they were discussed.....

Therefore, the best thing that can happen is to get national defense matters out of newspaper columns. But they will get out only if the government removes them. This means that it will cease confronting them with the frivolousness with which it handles issues of theatrical allocations and stop commenting on the relative views of the major government opposition party with a mixture of insults and irresponsibility that usually characterizes government responses. The government must finally realize that national defense is not appropriate for sensational stories and for small partisan exaltations.

The ideal, of course, would be to have national defense remain outside the party game. To have it be exempt from the competition of sensational stories and to have its problems discussed by committee having general trust and universal authority. Such committees would render decisions always under the responsibility and control of the Chamber of Deputies. Since, however, such very nice things do not appear very possible at this time nor even in the near future, the government must seek the seriousness it needs and the feeling of responsibility that is indispensable and it must confront defense problems with such attitudes. It must put aside insulting irresponsibility for the remainder.

Unfulfilled Contracts

Athens I KATHIMERINI in Greek 23 Aug 86 pp 1, 3

/Text/ Deputy Minister of National Defense Th. Stathis has admitted that contracts for the provision of munitions for the armed forces by PYRKAL have remained unfulfilled. He maintained, however, that they constitute only a small segment of the 28 billion drachma sum that represents the value of munitions that have been delivered since 1983.

Yesterday's announcement contained much information relating to PYRKAL without, however, being convincing that the company's management is not responsible for the non-implementation of the contracts that had been signed since 1982.

In the Ministry of National Defense's "general account" that begins the year before the dictatorship takeover (1973) the following, among other things, are mentioned:

- YETHA /Ministry of National Defense/ had signed two 5-year contracts with PYRKAL (1973-1977 and 1977-1982). At the same time the company which was at that time under private ownership signed contracts for new munitions (for example, PAO 9 mm, 76, 62, etc.) and obtained payments in advance for materiel that had never been manufactured.

- From that period (1973-1982) there are pending unfulfilled contracts which, among other things, resulted in having PYRKAL become a problem and ailing company. More specifically, 14 contracts remain unfulfilled (totally or partially) totalling approximately 2.7 billion drachmas.

- The case of four 1982 contracts goes as follows:

PYRKAL signed contracts with the armed forces for munitions which, despite contractual time limitations, have not yet been delivered. This delay was a result of the concealment of the weaknesses of the company to live up to specific orders that had been placed.

- Following the change in ownership and management of the firm it was revealed that PYRKAL had signed these contracts for which it had not made the necessary munitions production study, it had not prepared the pilot study and it did not have a definite plan at that time.

The new management has already begun work on the munitions involved in the two contracts (2508/82 and 2510/82) and it is expected that they will be delivered in 1987. The obligations for the other two contracts (2538/82 and 2565/82) have been carried out within the framework of newer contracts.

- Post-1982 PYRKAL management tried to change the firm's picture. Delays in the implementation of some contracts are relatively small and partly justified by intense foreign operations of the firm. The contracts are today being concluded at stable prices without revision thus relieving the company from a situation that did not serve the public interest.

- Work has already begun on production of a new type of munitions and it is expected that in a period of 2 years they will meet almost all the needs of the armed forces.

5671

CSO: 3521/241

MILITARY

GREECE

DETAILS ON MOBILIZATION FOR 'FILIPPOS' MANEUVERS

Athens I KATHIMERINI in Greek 21 Aug 86 p 10

[Text] This morning marked the start of the mobilization of thousands of officers and enlisted men in the reserve (more than 5,000) who will participate in the large inter-service maneuvers of the Armed Forces called "Filippos 2/86."

These maneuvers will begin next Tuesday, 26 August, and will last a period of 10 days. One day before this the navy will also begin maneuvers, under the name "Astrapi 5A," which will last until 5 September. These will involve "logistics" exercises, including towage practice and transporting of heavy weapons, but also combat firing and antisubmarine exercises.

The chief phases of the two maneuvers will be observed by the deputy premier and minister of national defense, I. Kharalambopoulos. On Tuesday he will go to the Salamis Naval Yard, where he will be briefed by the chief of the fleet, Vice Admiral Vasilikopoulos, after which he will watch various phases of the maneuvers.

The "Filippos 2/86" maneuvers will be conducted in the area of the Second Army Corps, where Kharalambopoulos will go next Friday--accompanied by the chiefs of staff--and where he will observe the main phase of these maneuvers as well as the parade which will follow and the review which will be given on the results.

As a part of these inter-service maneuvers, in which large forces of the army and the air force will take part, columns of troops will be moved from the area of Litokhoros to the region of Kilkis-Rodopolis between the dates of 21 and 25 August.

The Mobilization

Yesterday's announcement by the Ministry of National Defense includes a summons to certain reservist officers and enlisted personnel to appear today at the place where their special marching orders are recorded, for the purpose of taking part in the maneuvers. These are reservists of the land army who have special marching orders on which it is written that in case of mobilization, they are obligated to present themselves to a unit with the following code numbers: AS 6191, AS 2094, AS 2105.

Those who find themselves far from the reporting place that is recorded on their special marching orders should use for their transportation the ticket coupons of the special marching orders. For any additional information on and help with their transportation, they should contact their local garrison headquarters, military personnel transit center, or the police authorities.

Before the reservists who have been called up depart for their unit, they should read carefully the instructions which are written on the lower part of their special marching orders.

12114

CSO: 3521/222

MILITARY

GREECE

FORMER JUNTISTS REPORTEDLY REPRESENT ARMS FIRMS

Athens PONDIKI in Greek 25 Jul 86 p 11

[Text] By now everybody knows about the Tsatsos followers from AGET [General Cement Corporation]-Iraklis and their recent legal troubles. But there is also another side of their business activity that is equally important and noteworthy.

At least one of these is believed to be a chief stockholder in a company which represents foreign arms firms in Greece!

And the main thing is: Together with Tsatsos other people are shareholders in this company who in the days of the junta were a part of the close entourage of the "invisible dictator," Ioannidis!

Therefore, we have this to say:

This company is called KESTREL A.E. and has offices on Grigoriou Theologou 1 Street (telephone 644-1800 and 643-8800).

Its chief stockholders (and officers) include Stavros Komnopoulos (who was employed in the government office of Ioannidis and who used to be representative of 10 percent of the "Arsakeiada" interests at the "Blue Cross" clinic run by an in-law of the doctor Alazrakis), and the retired officer Giorgos Stavrou (a former aide-de-camp of Ioannidis, who upon retiring was hired at AGET by the Tsatsos followers).

Whom does KESTLER [sic: should be "KESTREL"?] represent?

The French firm GIAT, which makes the AMX 30 tanks. The French are negotiating for a contract to modernize 200 tanks of the Greek army.

Question: Is it true that the French bid is 170 million drachmas for the modernization of each tank, whereas it costs 180 million drachmas to purchase a new one?

The EUROMISAL company, which makes the MILAN missiles.

The German firm WEGMANN, which builds the turrets for the "Leopard" tanks.

Last September, Agreement 4607A/85/of 24 September 1985 was signed for the procurement of replacement parts for the "Leopard" tank, for a price of some 2 million marks.

Is this the situation? Is it possible that we are in error somewhere? We are available for any explanation or for any new evidence.

12114

CSO: 3521/222

MILITARY

GREECE

BRIEFS

'ARTEMIS' WEAPON PRODUCTION CONTINUES--The program for making the anti-aircraft gun "Artemis" is proceeding on schedule. No delays have been noted in this program, nor is there any thought of discontinuing it. Deputy Minister of National Defense Stathis made this statement yesterday in reply to a relevant question. And he added: "All the contractual obligations are being fulfilled by both sides, by the EVO [Greek Arms Industry] and by the Ministry of Defense." [Text] [Athens I KATHIMERINI in Greek 21 Aug 86 p 10] 12114

CSO: 3521/222

MILITARY

PORTUGAL

TRIDENT/86 MILITARY MANEUVERS TO TAKE PLACE IN MADEIRA

Lisbon DIARIO DE NOTICAS in Portuguese 3 Sep 86 p 3

[Text] Gen Lemos Ferreria, chief of staff of the Armed Forces, will leave for Madeira on 17 September to be present during the Trident/86 military maneuvers that will take place in the island of Porto Santo.

This was disclosed yesterday by the deputy commandant of the Madeira military zone in a press conference during which the details of those maneuvers were provided.

Trident/86 will take place between 12 and 18 September, with the participation of 1,200 men of the Armed Forces.

According to Col Chito Ferreira, the maneuvers are intended "to coordinate the need for instructing and training officers and troops with the need to evaluate and test defense plans for the Madeira archipelago."

The military maneuvers Trident/86 will be concentrated on the island of Porto Santo, on the basis of a scenario which, according to Col Chito Ferreira "is highly up-to-date and is being tested in various countries."

The Trident/86 maneuvers will be carried out in three distinct phases: firstly, a response to a "threat" that will implicate the reinforcement of the troops stationed on the island; secondly, a "worsening" of the situation and the concentration of a final system of forces on the basis of reinforcements from the continent; and finally, a simulated state of emergency with "double action" activities by the "blue" and the "orange" forces.

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CSO: 3542/153

MILITARY

SPAIN

RESULTS OF ARMY MODERNIZATION PLAN REVIEWED

Frankfurt FRANKFURTER ALLGEMEINE ZEITUNG in German 4 Aug 86 p 3

[Article by Siegfried Thielbeer: "Spain Makes Secure to the South—the META Plan: Military and Policy/Modernization of the Armed Forces/View to Morocco"]

[Excerpts] Alcala de Henares, August—The Spanish Armed Forces are now being modernized assertively. Under the META (Modernizacion del Ejercito de Tierra) Plan, the army will be smaller but more professional. Depoliticizing and modernization are the two poles of this policy, with which Spain wants to join the Western alliance partners. Taking away the army's capability to stage a coup is also part of the depoliticizing. It was a legacy not only of the Franco era that the army saw itself as a state within a state, always prepared to put its foot down when internal affairs were involved. There were far too many underpaid officers who had almost nothing to do. The equipping of the troop was neglected under Franco. After all, infantry was enough to keep the population in check. Among the most important depoliticizing measures, in addition to the reduction in the number of troops, was therefore the redistribution of the military hierarchy. The military regions, once ruled by commanders in chief who acted as subkings, are being reduced in number from nine to six. Their boundaries are being made to correspond to those of the civil provinces and their tasks are being curtailed. The military governors of the provinces have, as one of them said, practically nothing more to do: "The institution, a remnant of the Franco era, will probably soon be completely abolished." The territorial brigades, an intervention reserve of the commanders in chief, are being dissolved. In exchange, the regular divisions were replenished. And units of regiments such as the NBC force or the tank destroyers, previously under central command, are being assigned to the brigades. For the first time, there are now two battalions for electronic warfare.

Five divisions and 14 operational brigades form the core of the army: the First Armored Division "Brunete" in El Pardo near Madrid with the 3,150-man armored brigade in El Goloso (the second mechanized brigade having a strength of about 4,400 men with the elite "Wad Ras" regiment has been transferred from Madrid to Badajoz); the Third Mechanized Division "Maezstrazgo" with armored infantry brigades in Valencia and Cartagena; and the Second Motorized Division "Guzman el Bueno" in Granada with division troops in Seville, motorized brigades in Almeria and near Gibraltar and a mechanized brigade in Cordoba.

The brigades and divisions are organized according to Western standards. The Brunete, for example, abbreviated DAC (Division Acorazada), with its 14,000 soldiers and equipped with 200 tanks, 300 armored personnel carriers, 54 155-mm self-propelled howitzers, 16 heavy guns and 24 antiaircraft guns, possesses a considerable combat capability.

Spain is a peninsula; only the Pyrenees represent a sort of land front. Here security is provided by two mountain divisions each now having two brigades. Behind them, quickly movable on the good road network, are two cavalry brigades in Salamanca and Zaragoza--"Jarama" and "Castillejos" with three regiments each and equipped with 235 armored reconnaissance vehicles of French and Spanish production. Here and with the regional troops, there are also 375 ancient M-47 tanks from the Korean War that have, however, been "Hispanicized" with a new diesel engine. They are probably now mainly in their garages. Proposals by the Spanish arms industry to equip the 120 even older M-41's with the TOW antitank rocket have not been picked up by the Ministry of Defense in Madrid. The M-47's may survive as armored bridge-laying vehicles. Some wheeled armored personnel carriers are replacing a portion of the 1,190 American M-113 tracked vehicles used as weapons carriers for heavy mortars in particular. The Santa Barbara arms producer manufactures rocket launchers and a new long-range gun similar to the German Field Howitzer 70, with which some of the approximately 1,000 guns are being renewed.

The Enclaves Ceuta and Melilla

Of the 300 or so somewhat up-to-date tanks of the French type AMX-30, just under 200 are with the Brunete division and the others with the mechanized brigades in Cordoba, Cartagena and Valencia. The old American tank M-48 (164 units) has been modernized (as in the Bundeswehr) with a diesel engine, a new fire control system, and a 105-mm gun--in part from Rheinmetall--but also with the American turret and the gun from Israel. Three battalions are so equipped: one each in the African enclaves Ceuta and Melilla and the third with the new brigade that originated from a territorial formation. The proximity of Almerias to Melilla makes clear for what sort of reinforcement operations this troop is intended: in the event of a conflict with Morocco, the brigade near Gibraltar or the marines from Cadiz would be sent Ceuta.

There are about 8,000 soldiers in Ceuta: a regiment of the Foreign Legion organized under the French model with three "banderas," three groups of "regulares" (battalions), a force recruited from Moroccans, a regiment of armored cavalry, and engineer and artillery regiments. The force in Melilla is almost identical. The legion (headquarters Malaga) remains as a volunteer force under the socialists. A regiment, previously in the Sahara, is now stationed on Fuerteventura; the training regiment is in Ronda. The garrisons of Ceuta and Melilla, just as the motorized division, the Nike and Hawk regiments, and the coastal artillery near Gibraltar, are under the military governor of Seville, whose troops have priority in the modernization. His division is also the only one with three divisions. Spain also sees the securing of the south and the control of Strait of Gibraltar as an important contribution to NATO.

As a sort of rapid intervention force, there is an airmobile infantry brigade in La Coruna and the airborne infantry in Alcala. The paratrooper brigade--volunteers without exception--with three "banderas" (battalions) now with four infantry companies each ("so that the commander has a reserve") and a heavy company, an artillery battalion, as well as the usual staff and supply units, is composed of 5,000 men. One is more inclined to expect that this formation could be used as a Spanish contribution to NATO, perhaps in "putting out fires." Joint maneuvers are often held with the formations of friendly nations, especially the French, Portuguese and Americans. and occasionally with the Germans as well or, as in this year, with the Jordanians.

The soldiers of the Brigada Paracaidista, who have their own wine lands working for them, do not have to run and hide. They are now receiving the new automatic rifle and 200 panzerfausts produced in Spain. The Milan antitank rocket is finally available to the troop in large numbers: 12 with the antitank-gun company and with every battalion. "For self-defense only," it is said, "not, however, to be used as an antitank reserve as in the case of the Germans or French."

Close cooperation is planned with the army pilots. They have recognized the importance of the helicopter in Spain. Standing by for the divisions are 3 units each having 6 reconnaissance and 10 transport helicopters that can also be armed with machine guns and rocket launchers. An additional unit is being organized in the Canary Islands. The transport helicopter battalion in Comenar is being strengthened from 12 to 18 "Chinooks." The 18 French "Super Pumas" now being procured are intended mainly for mountain operations. The showpiece is the attack helicopter battalion in Almagro, whose BO-105's from the German firm MBB are armed not only with HOT rockets but also with the 20-mm gun from Rheinmetall. Spain is thus following the French example: antitank helicopters must be accompanied by gun-equipped helicopters to suppress antiaircraft defense. The pilots are being outfitted with night vision equipment. With a total of 65 UH-1 transporters, 17 reconnaissance helicopters (OH-58, likewise from Bell), and 71 BO-105's, one will not be able to say that Spain is neglecting the third dimension.

In the case of the army aviation in Colmenar Viejo, one notices that there are no helicopters in the air. Is that only because of the approaching weekend? In the staff of the FAMET (Fuerzas Aeromoviles del Ejercito de Tierra) in the supreme command of the army, they point out that there is a shortage of spare parts. Spain has no money, they say. Arms Undersecretary Eduardo Serra in the Ministry of Defense asserted that the difficulties are known; here it is also a matter of disputes with American firms; the money has been blocked only temporarily. But when the officers complain about a shortage of money rather than about politics, then one has almost achieved the normal state of Western democracies.

9746

CSO: 3620/795

MILITARY

SWEDEN

SUPREME COMMANDER RECOMMENDS LONGER TRAINING TO IMPROVE ASW

Stockholm DAGENS NYHETER in Swedish 14 Aug 86 p 9

[Article by Anders Ohman: "OB's Plan for the Navy--Longer Training to Improve Antisubmarine Defense"; first paragraph is DAGENS NYHETER introduction]

[Text] The OB [Supreme Commander of the Swedish Armed Forces] program plan for the period 1987-92 recommends that the training time for Navy conscripts be extended by three months. For the Navy's other branch, the Coast Artillery, it is recommended that conscription time be lengthened by one month. The extended conscription time will later be deducted from refresher training.

The Navy, which today trains about 6,000 conscripts per year, will strengthen ASW with this reform, and also expects that organizational changes will improve efficiency. The recommendation includes four new naval commands which will coordinate antisubmarine forces.

"The objective of these changes is to increase readiness and improve exercises for naval units," said Captain Anders Timdahl of the Naval Staff.

Both recommended changes are included in all seven economic levels of the OB program plan which will now be worked on in the Defense Committee. Later the Riksdag will receive the result.

A conscript in the Navy now has nine months training. Later he will complete an additional five months refresher training before he is 47 years old, at which time he is removed from the war organization. If the new recommendation for extended training time goes through, the refresher training time will be reduced to two months for seagoing Navy men and four months for Coast Artillery men.

With the extended conscript time the Navy expects to get better trained crews and increased Coast Artillery readiness. The distribution of personnel is also expected to be more even.

The four new naval commands will be located at Harnosand, Musko, Karlskrona and Goteborg.

They will have the entire overall responsibility within the defense forces for a submarine incident, for example. Now the responsibility is divided, which has caused unnecessary delays in the decision-making process.

In the background for the OB program plan the Navy reports "steerageway" on the 1987 Defense Decision on its strength--the number of ships, coastal missiles, etc. In the highest levels six and seven the Navy reports a positive development.

The first four levels show no great changes in the numbers of weapons and delivery systems, with the exception of the coastal corvettes. The fifth level admits a certain increase in submarines and heavy coastal missiles.

9287

CSO:3650/297

MILITARY

SWEDEN

PAPER REPORTS ON GROWING ARMS EXPORTS

Copenhagen AKTUELT in Danish 8 Aug 86 p 12

[Text] Swedish arms exports were considerably larger during the first 5 months of 1986 than during the same period last year--915 million Swedish kronor as against 730 million Swedish kronor.

These figures stem from the statistical central office SCB, which bases its statistics on information provided by exporting firms in their customs declarations. SCB cannot state what types of arms and ammunition are concealed behind the figures.

The authority which is in charge of checking arms exports is the War Materials Inspectorate, KMI, which obtains its information directly from the firms.

"We have not completed our statistics yet, but, in general, I want to say that this form of statistics for fairly short periods of time does not say too much," says Goran Orhem of KMI, pointing out that the deliveries take place in spurts, and that big deliveries are made in certain months and in other months hardly anything.

"If one looks at the permits for arms export issued by the government, one will find that the export figures are at a quite stable level from year to year," Goran Orhem says.

The SCB statistics confirmed that the deliveries take place in spurts. The total deliveries from January to May of this year were considerably larger than during the same period last year, but if one examines the month of May only, the situation is the opposite.

In May of 1985, 280 million Swedish kronor worth of arms were exported, while 148 million kronor worth of arms were exported in May of 1986.

The five largest purchasers of Swedish arms were from January to May of 1986--with the figures for 1985 in brackets--Norway 190 million kronor (141), Italy 115 million kronor (12), Finland 110 million kronor (32), Pakistan 101 million kronor (0), and Brazil 83 million kronor (67).

The statisticians point out that the information, for several reasons, has to be regarded with caution. It is not granted in advance what machine components and semi-manufactures may be used for weapons, and there is always the risk that export articles are classified wrongly.

ENERGY

GREECE

EARNINGS DERIVED FROM FALLING OIL PRICES

Athens I KATHIMERINI in Greek 29 Aug 86 p 7

/Text/ If petroleum prices on the international market remain at the present low levels the foreign currency gains for the country are expected to reach 1 billion dollars during 1986. This was announced yesterday by Minister of Energy, Industry and Technology M. Natsinas who added that foreign exchange savings from the purchase of petroleum has already amounted to 624 million dollars for the 7-month period January-July.

More specifically, Mr Natsinas announced that according to provisional statistics of the petroleum processed by the Aspropyrgos refineries up to the end of July the average purchase price of crude petroleum in the 7-month period was 13.50 dollars a barrel compared to 28 dollars last year. It should be noted that during the 7-month period this year the supplies of crude petroleum amounted to 5,942,000 metric tons having a total value of 654 million dollars compared to supplies amounting to 5,711,000 metric tons and valued at 1,227 million dollars during the corresponding period of 1985.

More specifically, in the 7-month period January-July 1986 the purchase price picture of crude petroleum (dollars per barrel) was as follows:

January	25.40
February	17.10
March	13.10
April	12.70
May	10.9
June	9.5
July	7.6

7-month period	13.5
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It is to be noted that the corresponding average price in 1985 was 28 dollars a barrel.

It should also be pointed out that in August of this year international prices showed a 2-dollar increase per barrel. This increase, according to evaluations of the international economic press, is expected to continue over the next few months and by the end of the year it is expected that the price of crude petroleum

will have reached 18 dollars a barrel. According to yet another opinion the price of petroleum in December will perhaps fluctuate between 20 and 22 dollars a barrel.

Finally, the minister yesterday denied a published report according to which we are buying petroleum from the Soviet Union with the payment of a "surcharge."

5671

CSO: 3521/244

ENERGY

PORTUGAL

OIL CONSUMPTION FALLS, OTHER ENERGY SOURCES USED

Lisbon SEMANARIO in Portuguese 14 Aug 86 p 20

[Excerpts] Portugal was the country that managed to reduce its oil consumption the most last year, lowering its expenditures by about 14 percent relative to 1984.

Cuts Do Not Reflect Energy Policy

Contrary to what one might think, the Portuguese case does not reflect existence of an energy policy directed toward saving and better use of resources.

The decline from an annual consumption of 9.5 million tons in 1984 to about 8.2 million tons in 1985 has much to do with the previous government's economic stabilization program.

In trying to bring our external accounts into balance by increasing exports and limiting imports, Ernani Lopes of course had to take the energy account into consideration. Portugal is dependent upon foreign sources of energy. Almost 90 percent of our needs are imported and in the case of oil this approaches 100 percent. There was thus a limiting effect due to restriction of imports. Energy imports, moreover, are a large share of total foreign purchases (comparable only to the case of grains).

The stabilization program also had an impact on industrial activity, well illustrated by the drop in investment (about 10 percent last year). And industry is the largest consumer of energy.

This was one of the most important reasons for Portugal to head the list of the world's petroleum economizers. And this is one of the major complaints that companies operating in our country have about the previous government. Esso, Shell, BP, Mobil and Petrogal all complain of a drop in demand.

New Sources Other Than Petroleum

The reduction of consumption of oil was accompanied by an increase in consumption of other energy. Portugal thus consumed the equivalent of 500,000 tons of petroleum in coal, representing a 3.2 percent increase over 1984. This put our country in the middle of the list of OECD countries, although still below the average growth of consumption reported for this economic bloc (6.6 percent).

Between 1984 and 1985, consumption of hydroelectric power increased about 24 percent and was equivalent to 3.3 million tons of petroleum. The tendency within the OECD was for such consumption to remain unchanged. Equally contrary to the OECD trend, Portugal was the only European country to reduce consumption of primary energy, especially in regard to fuel oil.

The structure of domestic expenditures thus showed a moderate change away from petroleum products. In 1984, consumption was 9.5 million tons of petroleum, 0.5 million petroleum-equivalent tons of coal, 2.8 million equivalent tons of hydroelectric energy and 12.6 million of primary energy.

In 1985 these amounts were, respectively, 8.2 million tons, 0.5 million tons, 3.3 million tons and 12.0 million tons. A clear reduction of expenditures for petroleum and its derivatives and their replacement by other sources of energy.

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